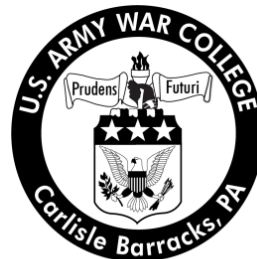


The Chinese Communist Party: A Strategic Center of Gravity Analysis

by

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United States Army War College
Class of 2012

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**THE CHINESE COMMUNIST PARTY:
A STRATEGIC CENTER OF GRAVITY ANALYSIS**

by

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A strategic center of gravity analysis of the Chinese Communist Party (CCP) reveals four mutually-supporting critical capabilities which provide the Party's primary capacity to maintain dominant power and authority in China; however, a major deficiency or flaw assumed by one critical capability also becomes a critical vulnerability assumed by the entire system, weakening the CCP's capacity to cope with additional stress. This paper provides an initial set of essential definitions for key center of gravity-related attributes, proposes a construct for the term political resilience, and outlines an analytical framework for the study. The paper explains the history and organizational nature of the CCP as a strategic center of gravity, followed by a comprehensive examination of each critical capability. Using this analysis, the study yields five major findings: a mutual buttressing effect among the Party's critical capabilities; a focus to bind the nation to the Party; a current lack of synergism of instabilities; the mixed-impact of China's looming demographic challenges; and potential domestic constraints on the CCP's near-term ability to pursue pragmatic policies. The paper concludes with a brief look at the Party's ultimate future in China.

THE CHINESE COMMUNIST PARTY: A STRATEGIC CENTER OF GRAVITY ANALYSIS

The Chinese Communist Party is the core of leadership of the whole Chinese people.

—Chairman Mao Tse-tung, 25 May 1957¹

Founded in July 1921, the Chinese Communist Party (CCP or the Party) recently celebrated its 90th anniversary, trumpeting China's notable progress in their quest to rejuvenate a transcendent Chinese nation.² Speaking at the Great Hall of the People on July 1, 2011, the CCP General Secretary and President of the People's Republic of China (PRC, or China³) Hu Jintao commemorated the revolutionary works of three previous generations of Party leadership, proclaiming China's removal from foreign domination, completion of the social revolution, and (through market reforms) China's methodical march to historic economic development.⁴ Labeled by *Forbes* magazine as the "World's Most Powerful Person" in 2010,⁵ President Hu Jintao dramatically declared, "Looking back at China's development and progress over the past 90 years, we have naturally come to this basic conclusion: Success in China hinges on the Party."⁶

While the CCP has been a successful steward of the country's rapid economic growth⁷ and accelerated military modernization,⁸ the Party must skillfully confront a growing list of domestic and international dangers,⁹ threatening China's current trajectory to become a preeminently strong and prosperous nation. The Party's ability to manage and solve these looming threats will largely determine Beijing's future prospects. For this reason, Defense Intelligence Agency's Colonel Frank Miller (USA, Ret.) and Princeton University's Dr. Andrew Scobell bluntly conclude that "China's center of gravity is clearly identified as the Party."¹⁰ Leveraging this determination by

two notable scholars on China, this paper's will treat the ruling regime, as embodied in the CCP, as a strategic center of gravity. Hence, as pressure intensifies on the CCP, the Party's continued "political" resilience¹¹ is a key determining factor in the ultimate outcome of Beijing's struggle to achieve regional (if not global) hegemonic power.

A strategic center of gravity analysis of the Chinese Communist Party (CCP) reveals four mutually-supporting critical capabilities provide the Party's primary capacity to maintain dominant power and authority in China; however, a major deficiency or flaw assumed by one critical capability also becomes a critical vulnerability assumed by the entire system, weakening the CCP's capacity to cope with additional stress. This paper provides an initial set of essential definitions for key center of gravity-related attributes, proposes a construct for the term political resilience, and outlines an analytical framework for the study. The paper explains the history and organizational nature of the CCP as a strategic center of gravity, followed by a comprehensive examination of each critical capability. Using this analysis, the study yields five major findings: a mutual buttressing-effect among the Party's critical capabilities; a focus to bind the nation to the Party; a current lack of synergism of instabilities; the mixed-impact of China's looming demographic challenges; and potential domestic constraints on the CCP's near-term ability to pursue pragmatic policies. The paper concludes with a brief look at the Party's ultimate future in China.

Key Definitions, a Proposed Formula, and an Analytic Framework

Components of Center of Gravity Analysis. This study leverages the foundational work of Dr. Joe Strange, former Professor of Strategic Studies at the Marine Corps War College, which promotes a comprehensive understanding of what constitutes a center of gravity. Strange contributes useful definitions for, and describes relationships

between, the center of gravity and the related concepts of critical capabilities, critical requirements, and critical vulnerabilities. First, Strange provides his interpretation of Clausewitz's definition of a center of gravity (as "the hub of all power and movement, on which everything depends"¹²) as being a "strength, either moral or physical, and a dynamic and powerful agent in its own right."¹³ Strange advises that centers of gravity "do not contribute to strength; they are the strength."¹⁴ Moreover, Strange assesses that strategic centers of gravity are normally "moral" (creating and sustaining moral resistance) and found where power is centralized, such as with the ruling elites.¹⁵ According to Strange, ruling elites "are a closed group within which the real power of the state or entity resides."¹⁶

A useful analogy from materials science could enhance our understanding of the CCP as a strategic center of gravity in China. Like the construction material "steel" (used in the world's largest buildings), the CCP should possess sufficient-levels of internal strength (as an organization) to maintain firm political control of the Chinese government. For instance, when measuring the strength of steel, the metal's (yield) strength is determined by measuring the point at which the material (while under stress) begins to demonstrate appreciable deformation without any increase in additional load.¹⁷ Prior to this "yield point" (after which permanent distortion of the material will be observed), steel will deform elastically, returning back to its original shape once stress is removed.¹⁸ In materials science, this concept is called "resilience" or the ability of a material to absorb energy (when under stress or pressure), without suffering the permanent effects of distortion.¹⁹ Hence, like the construction material, the CCP's inherent organizational strength must also be capable of demonstrating high-levels of

“political” resilience, withstanding the collective stresses (or pressures) caused by domestic and international threats (or challenges) on the ruling regime. If stress or pressure exceeds the capabilities of the CCP to resist, the political organization could (likewise) fracture and suffer permanent damage, threatening the Party’s ability to maintain current levels of dominant political power. This concept of “political resilience” will be further defined and explored, after a brief review of three additional center of gravity-related concepts.

The second element of Strange’s center of gravity analytic framework is that every center of gravity possesses at least one “critical capability” which makes an “entity” a center of gravity by providing some “primary ability (or abilities).”²⁰ For example, referring back to the previous material science analogy, the strongest construction materials can withstand higher amounts of stress or pressure, without permanent distortion or fracture, because of higher yield points and elasticity or the ability to regain original size and shape.²¹ Without going into further scientific detail, steel workers understand that the addition of carbon during the steel-manufacturing process produces a highly-desired carbon-steel construction material. Hence, for explanation purposes only, the capability of the manufacturing plant to produce high-quality carbon-steel construction materials could be construed as a critical capability, enabling the production of high-strength construction materials.

Third, every critical capability possesses a “critical requirement” that consists of essential “conditions, resources, and means for a center of gravity to achieve its critical capability.”²² Once again, referring back to the carbon-steel analogy, the availability of

sufficient quantities of carbon (as a source material) would be a critical requirement that enables the critical capability to achieve success.

And finally, every center of gravity possesses at least one critical vulnerability, which is defined as “a component there of, that is deficient, or vulnerable to neutralization or defeat in a way that will contribute to a center of gravity failing to achieve its critical capability.”²³ In our carbon-steel analogy, if the steel manufacturing plant’s supply of carbon (as a source material) is disrupted or not in sufficient quantity to continue production, the manufacturer’s tenuous carbon supply-chain becomes a critical vulnerability.

In sum, leveraging Strange’s center of gravity-related definitions, this paper will explore the CCP as a strategic center of gravity, identifying critical capabilities and their inherent critical requirements which contribute to the Party’s ability to maintain dominant power. Additionally, this paper will highlight congenital critical vulnerabilities which threaten the Party’s political resilience. However, before proceeding with the study’s comprehensive review of the above, the concept of “political resilience” must be better understood.

A Proposed Construct for Political Resilience. Offering a contextual anchor to examine the CCP as a strategic center of gravity (and center point for the analytical framework proposed in the next section), this paper establishes the following definition for political resilience, which has been adopted from Dr. Brian Walker’s foundational efforts to define the concept of resilience in socio-ecological systems: *political resilience is the ruling regime’s adaptive capacity to overcome potentially damaging challenges, from internal and external threats, in order to retain dominant power and authority within*

*the government.*²⁴ Using this definition, the following formula is submitted in an effort to more clearly demonstrate relationships between key variables:

$$\text{Political Resilience}_{\text{CCP}} > \text{Threats}_{\text{Internal}} + \text{Threats}_{\text{External}}$$

Whereby, for the CCP to retain firm political power and dominant authority within the Chinese government, the Party's political resilience must be greater than the sum total of domestic and international threats, which cumulatively pose dynamic levels of stress (or pressure) on the organization. As a value, higher-levels of political resilience should protect the organization from intense episodes of stress (or pressure), decreasing the probability of permanent distortion or fracture in the political organization's character, structure, and composition.

When the concept is more deeply dissected, the author further proposes that political resilience is the product of two major factors: (1) "Will" (as applied to the collective willingness of the ruling regime to remain strongly unified and highly adaptive to remain in power); and (2) "Means" (as applied to the regime's control and use of the instruments of national power to mitigate internal and external threats). Hence, political resilience could equate to:

$$\text{Political Resilience}_{\text{CCP}} = \text{Will}_{\text{CCP}} \times \text{Means}_{\text{Instrument of National Power}}$$

The previous formula for political resilience may be now modified to resemble:

$$\text{Will}_{\text{CCP}} \times \text{Means}_{\text{Instrument of National Power}} > \text{Threats}_{\text{Internal}} + \text{Threats}_{\text{External}}$$

Finally, if the above formula holds true, the author should expect to identify critical-enabling efforts by the CCP, which are focused on: (1) bolstering the "will" of Party cadre to remain unified and adaptive to changing, uncertain environment; and (2)

establishing more effective control over “national-level” capabilities to absorb and mitigate stress.

Proposed Framework of Analysis. With Strange’s definitions for center of gravity-related terms and the author’s proposed construct for political resilience, this paper will frame the strategic center of gravity analysis around the following central questions:

- What is the history and organizational nature of the CCP as a strategic center of gravity in China?
- What critical capabilities enable the CCP to achieve great strength, enhancing the ruling regime’s political resilience? For each identified critical capability, what are the necessary critical requirements that enable success; and, conversely, what are the ruling regime’s critical vulnerabilities that undermine the CCP’s political resilience?
- What are the major findings resulting from this strategic center of gravity analysis?

To answer the first question, the paper’s next section will review: China’s ancient and legal sources of political authority; the Party’s key functions and components; the Party’s influence over the military and central government; the Supreme Leader’s recent concentration of additional power around a core group of CCP officials; and, finally, factional friction among the Party’s ranks.

The Party as a Strategic Center of Gravity

Ancient Sources of Political Authority. For three thousand years, China was carefully guided by the Ancient Books²⁵, which identified “the sources of all political authority” as: “the Mandate of Heaven, the people’s good will, and the ruler’s virtue.”²⁶

Of these, the Mandate of Heaven (*tianming*) was “the real cornerstone,” whereby Heaven “manifests its will in many ways,” such as in the supernatural (with “natural calamities and other unusual phenomena”) which “were considered grave warnings of God to the reigning monarch.”²⁷ However, the Mandate of Heaven was more likely “revealed in the people’s resentment against the abuses of power, particularly greed and injustice on the part of their rulers, and their spontaneous flocking to a newly arisen leader who knows their sufferings intimately.”²⁸ Thus, according to the Ancients, “[p]olitical authority is a trust conferred by the Mandate of Heaven upon the government for the welfare of the people. The government is created for the people, not the people for the government.”²⁹ If a ruler abused his political power, “revolution was not regarded as a right, but as a solemn duty that the new leaders of the people owed to Heaven to rectify the abuses and perversions of its Mandate, and to relieve the people from intolerable oppressions of the tyrant.”³⁰

Erasing the Mandate of Heaven. Upon assuming power in 1949, the CCP’s Chairman Mao Tse-tung initiated an intense and prolonged assault against China’s long-established ancient values “as a deliberate act of state policy,” seeking “to purify their society” and replace the ancient system with “the thought, customs, and culture of proletarian China.”³¹ With his cult of personality, Mao stated the nation should be smashed like an atom, so as to unleash the tremendous power of the population “to do things which we could not do before.”³² Toward this aim, Mao knew his “instant societal transformations”³³ would be difficult for the public to accept and needed the proletariat to adopt a new way of thinking to generate requisite sacrifice without consideration of the ancient tenets of political authority.³⁴

However, half a century later in today's China, the CCP has reversed course and is gently reviving elements of Confucianism and the ancient treatises. This is in part to fill an ideological void resulting from the failure of Mao's variant of communism.³⁵ In an effort to foster national unity, President Hu Jintao instructed Party cadre in 2006 to build a "harmonious society" based upon Confucian values of "honesty" and "unity" in an effort "to forge a closer relationship between the people and the government."³⁶ The Party's efforts to produce greater unity, and its ramifications, will be discussed later in the paper.

Legalizing the Party's Supremacy. From a legal perspective, China's constitution provides unique leadership guarantees to the CCP, while allowing additional political parties to participate in the National People's Congress.³⁷ The document's preamble heralds the CCP's historic successes and, most importantly, legally codifies the supreme leadership responsibilities of the Party (italicized for emphasis):

*Under the leadership of the Communist Party of China...*the Chinese people of all nationalities will continue to adhere to the people's democratic dictatorship...to turn China into a powerful and prosperous socialist country with a high level of culture and democracy.... In the long years of revolution and construction, there has been formed *under the leadership of the Communist Party of China* a broad patriotic united front which is composed of the democratic parties and people's organizations and which embraces all socialist working people, all builders of socialism, all patriots who support socialism and all patriots who stand for the reunification of the motherland. This united front will continue to be consolidated and developed.... Multi-party cooperation and the political consultation system *under the leadership of the Communist Party of China* shall continue and develop for the extended future.³⁸

The specific purpose of the constitutional phrase "under the leadership of the Communist Party of China" is intended to set definitive legal conditions, which deliberately differentiate the CCP from other political parties by constitutionally banning other parties from "seeking ruling power in China."³⁹ In a remarkably candid statement

on this issue, Former Prime Minister Li Ping acknowledged, “China is a one-party-ruling country in which the Chinese Communist Party is the core leadership with cooperation from other political parties who ‘participate’ in governing China but will never rule China.”⁴⁰

Functions and Components of the Party. Under the constitution’s legal guarantees, the power of the CCP implicitly transcends the central government’s authorities (ministries and agencies), by making use of parallel “vertically integrated” organizational structures (between the Party and central government), accommodating senior officials from various institutions into higher-level CCP decision-making bodies.⁴¹ Highlighting the central government’s deference to the Party, the CCP will hold internal party “elections” first (in the fall of the year) previous to (the next spring’s) central government elections, which votes on a CCP-approved list of candidates.⁴² As a result, the circulation of elites (or elite-circulation as coined by Pareto)⁴³ within the CCP cycles once every five years ensures periodic turnover within the Party’s hierarchical governing bodies.⁴⁴

While much is known about the organization, the Party’s “behind-the-scenes” selection process of new leaders is not completely transparent.⁴⁵ What we do know is that prior to the National Party Congress senior CCP officials will have selected new Party officials for various positions of authority, which the National Party Congress will formerly endorse. For example, in the coming 18th Party Congress scheduled for October 2012, the National Party Congress (with approximately 2,000 delegates) will convene, after holding elections at lower-level party congresses (province, county, and town).⁴⁶ It is important to note that approximately 60 percent of CCP participants

attending the 18th Party Congress in 2012 will be “first-timers” due mainly to the CCP’s mandatory age of retirement at 65 years of age.⁴⁷ Of significance, lower-party elections will result in the selection of sixty-two provincial-level chiefs for each of the thirty-one provinces or administrative divisions, which has both a Party Secretary and Governor. These provincial-level chiefs (as a bloc) will heavily influence not only the activities of the National Party Congress, but will serve in the highly desired CCP Central Committee.⁴⁸

The CCP Central Committee is a higher-level Party body (composed of nearly 300 members) with limited political power to debate and decide on policy.⁴⁹ The CCP Central Committee will select the Party’s top official (the General Secretary) and critical senior Party positions on the Political Bureau (Politburo).⁵⁰ Most importantly, “a smaller group of elite Party members” will be selected for the most coveted Politburo Standing Committee (PBSC)—the highest decision-making body in China—which is believed to meet on a weekly basis and, likely, on a daily basis in the event of a crisis.⁵¹ Lastly, the Party’s “election committees” have the task of approving national-level candidates for central government positions—officially determined at the 2013 National People’s Congress—such as President, Chairman of the Central Military Commission (CMC), Vice President, State Council Premier, and State Council Vice Premiers.⁵² Hence, the 18th Party Congress will conclude with the selection of the CCP’s 5th generation of leaders and a new list of national priorities.

The Party’s Influence over the Military. At the conclusion of 2012, the Party will also select new members for the CCP’s Central Military Commission (CMC), which will become the central government’s CMC upon approval by the National People’s

Congress later in 2013.⁵³ The twelve members of the CMC represent “the ultimate decision-making body for Chinese military affairs,” which is normally led by the senior-most CCP official who serves as the organization’s Chairman.⁵⁴ However, as will be seen in more detail, the CCP’s Supreme Leader also relies on senior support within the People’s Liberation Army (PLA) to achieve his great status. According to Dr. Cheng Li, Director of Research at the Brookings Institution’s John L. Thornton China Center, “Like authoritarian regimes elsewhere, China’s civilian leaders must have military support (in this case the leadership of the PLA) in order to reach the pinnacle of power.”⁵⁵ As a result of this symbiotic relationship, the PLA’s two senior-most officers also sit as members of the esteemed CCP Politburo while the remaining eight CMC officers sit as members of the CCP Central Committee.⁵⁶ In all, the military bloc—as an institution within government—is well-represented on the CCP Central Committee, possessing a total of 65 seats or 18 percent share.⁵⁷

However, to ensure the Party’s strong influence over the military, the CCP currently does not allow the senior-most PLA generals to possess seats on the PBSC. The Party’s justification is that since two CCP officials occupy leadership positions on the CMC (the current CCP General Secretary Hu Jintao and top-ranked Secretary Xi Jinping—China’s likely next CCP General Secretary), both CCP seniors possess sufficiently close relationships with senior PLA officials to adequately represent the CMC’s interests during PBSC discussions on national security affairs.

The Party’s Influence over the Central Government. By the spring of 2013, the central government’s National People’s Congress will convene “for about 15 days to officially set government policy and select China’s leadership.”⁵⁸ While the Party’s PBSC

holds ultimate decision-making authority, the State Council generates many policy initiatives—originating from the Cabinet-like structure’s 46 ministries, commissions, and other key organizations—for PBSC consideration.⁵⁹ Moreover, two PBSC members currently occupy top positions on the State Council, serving as the Premier (currently, Wen Jiabao) and First Vice-Premier (currently, Li Keqiang, China’s likely next Premier).⁶⁰ Additionally, three lower-level Politburo members serve as Vice Premiers in the central government, while other senior Party officials in the CCP Central Committee hold key State Council ministerial positions.⁶¹

To illustrate the Party’s permeation and control of the government, Figure 1 depicts the CCP’s leadership of the central government and military, highlighting specific PBSC members who occupy senior positions in both institutions. Due to space limitations, CCP Politburo and CCP Central Committee members are not depicted in the illustration, but indeed hold key positions in the central government.

Concentration of Power in the Political Bureau (Politburo) Standing Committee (PBSC). As information in Figure 1 highlights, China’s legal documents, political processes, and governing structures collectively serve to concentrate vast amounts of political power around a core group of CCP officials in the PBSC. Consequently, these nine senior-most CCP officials possess paramount, oligarchic control of China’s governing apparatus and military,⁶² serving as the quintessential “hub of all power and movement, on which everything depends.”⁶³

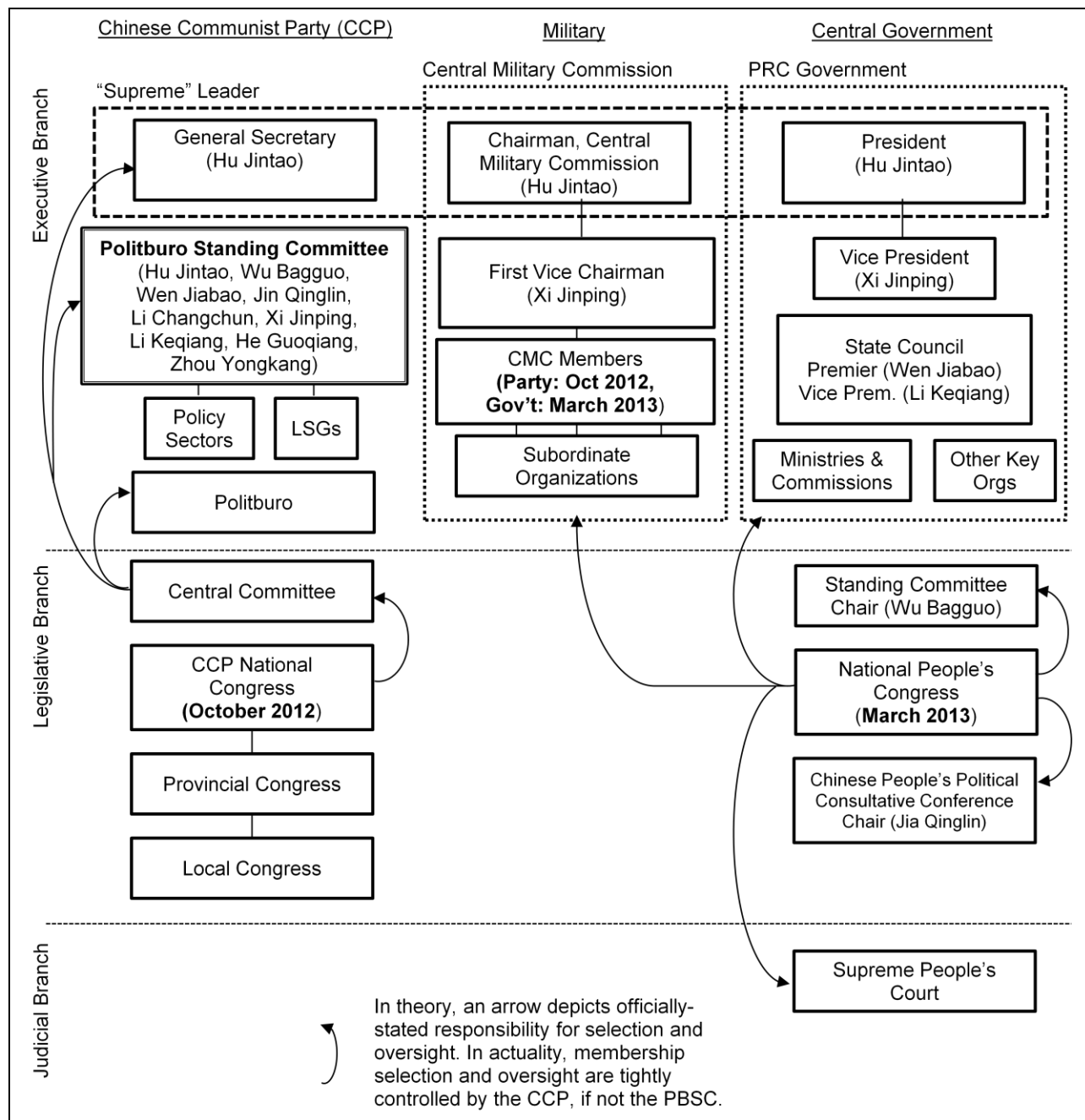


Figure 1: China's Parallel, Vertically Integrated Governmental Institutions⁶⁴

Further supporting this assertion, over the last five years the CCP General Secretary used his paramount position as "Supreme Leader" to transition additional policymaking powers to the PBSC, assigning key policy portfolios to individual PBSC

members and stripping this responsibility away from the CCP Secretariat.⁶⁵ Per the analysis of Stanford University's Dr. Miller, Hu Jintao made the PBSC more responsible for the production and implementation of "effective decisions in all major policy areas and simultaneously for supervision and coordination of those policy decisions."⁶⁶ To better illustrate Miller's point, Table 1 identifies current PBSC membership and their official functions within the Party, central government, and military, as well as known policymaking and oversight responsibilities.

In determining the General Secretary's rationale for concentrating additional power in the PBSC, Alice Miller believes Hu Jintao wanted to maximize the process of consensus-based decision-making within an elite group (representing all factions) versus a single, all-powerful future Chinese leader (like a "Mao"), who could act more unilaterally.⁶⁷ Alice Miller's evaluation is well-appreciated:

The structure and processes of the Politburo Standing Committee under Hu Jintao have also appeared to reflect the goal of reinforcing consensus-based decision-making under oligarchic collective leadership. On one hand, they appear aimed at limiting the ability of the general secretary to acquire dictatorial powers over the rest of the leadership, as Mao had enjoyed in the 1960s and 1970s and as Stalin had in Soviet politics. On the other hand, they also appear to be aimed at inhibiting any one leader or bloc of leaders from any constituency from asserting dominance over the others.⁶⁸

Thus, Hu Jintao's concentration of additional power in the PBSC also assures each of the major factions a voice in policymaking deliberations.

Rank	Name	Age	Member Since	Position(s) with the Party	Position(s) with the State	Policy Sector	Leading Small Group(s)
1	Hu Jintao	68	2002	General Secretary of the CPC Central Committee, Chairman of the CPC Central Military Commission	President of the PRC, Chairman of the PRC CMC	Foreign Relations, Military Affairs	Foreign Affairs, Taiwan Affairs
2	Wu Bangguo	70	2002	Party Secretary of the Standing Committee of the National People's Congress	Chairman of the Standing Committee of the National People's Congress	Legislative Affairs	Unclear
3	Wen Jiabao	68	2002	Party Secretary of State Council of the PRC	Premier of the State Council	Government Administration	Director, Finance & Economy
4	Jia Qinglin	71	2002	Party Secretary of the National Committee of the Chinese People's Political Consultative Conference	Chairman of the National Committee of the Chinese People's Political Consultative Conference	United Front Affairs	Unclear
5	Li Changchun	68	2002	Chairman of the CPC Central Guidance Commission for Building Spiritual Civilization	None	Ideology & Propaganda	Ideology & Propaganda
6	Xi Jinping	58	2007	Top-ranked Secretary of the Central Secretariat of the CPC, Vice Chairman of the CPC Military Commission, President of the Central Party School of the CPC	Vice President of the PRC, Vice Chairman of the PRC Central Military Commission	Party apparatus: Hong Kong & Macao Affairs	Party-building; Hong Kong & Macao Affairs
7	Li Keqiang	56	2007	Deputy Party Secretary of the State Council of the PRC	Executive Vice Premier of the State Council	Finance & Economy	Deputy Director, Finance & Economy
8	He Guoqiang	67	2007	Secretary of the CPC Central Commission for Discipline Inspection	None	Party Corruption	Unclear
9	Zhou Yongkang	69	2007	Secretary of the CPC Central Political and Legislative Committee	None	Internal Security	Politics & Law Committee

Table 1: Current PBSC Membership and Policy Responsibilities⁶⁹

Factionalism and Friction. While the PBSC serves as the pivot point around which the highest-level decisions are made, distinct factions and coalitions exist within the PBSC and throughout the Chinese government necessitating a consensus-building

approach on key issues. The two primary factions are the “elitist” and “populist” coalitions.⁷⁰ Understanding these two political factions is critical to understanding the distribution and dynamics of power in China. Again, according to Dr. Cheng Li, this internal division within Chinese politics has,

three main features: (1) the two coalitions represent two different socio-political and geographical constituencies; (2) the coalitions have contrasting policy initiatives and priorities; and (3) they compete with each other on certain issues but are willing to cooperate on others.⁷¹

To better understand these internal-party dynamics, each faction will be further examined.

“Elitists” are children born of senior Party officials who, through their family’s extensive party connections, rise in political, military or commercial circles for power, fortune, or both. “The leaders in the elitist coalition often represent the interests of the economic and cultural elites as well as the most economically-advanced coastal regions.”⁷² This group generally “favors continued rapid economic growth, less emphasis on social issues, and seeks to nurture China’s growing capitalist and middle-class populations.”⁷³ As a result, members of the elitist faction are labeled (usually derogatorily) as “princelings” (*taizi*), facing increased public scrutiny for alleged rampant nepotism and corruption.⁷⁴ A notable member of the elitist faction is Xi Jinping who is expected to assume *de facto* leadership of this faction by March 2013, when he becomes China’s paramount leader.

“Populists” represent another major faction and are CCP cadre, who did not come from influential families, spending much of their careers working in poverty-stricken areas and were promoted via the merits of their performance. “Most of the members of the populist coalition advanced in their political careers through local and

provincial administrations, and many worked in the areas of youth affairs, rural administration, Party organization, propaganda, united front work and legal affairs.”⁷⁵ Li adds, “The populist group favors balance in economic development, focus on improving the lots of the poor and disenfranchised, and an emphasis on the principles of the ‘harmonious society.’”⁷⁶ Current Supreme Leader Hu Jintao and Premier Wen Jiabao are both members of the populist faction.

Senior CCP officials work to ensure a balance of factional representation in key institutions to prevent a single faction from gaining dominant control. Once again, Li offers his in-depth political insight on this dynamic process:

While the two factions of the CCP compete with one another for power, influence and the right to enact policy initiatives, they also cooperate with each other to maintain political stability. An interesting phenomenon is that in each of the six most important national leadership bodies within the PRC, such as the presidency and the Central Military Commission (CMC), the top two positions are split between one leader from each of the two different coalitions, creating a built-in system of checks and balances.⁷⁷

Hence, Hu Jintao (a populist) and Xi Jinping (an elitist) provide factional balance on the highest decision-making body for military affairs. On a more worrisome note, however, Li keenly observes that the number of “princelings” among China’s senior PLA officials has been increasingly steadily and that they have shown a natural proclivity toward the elitist coalition. Li further cautions “the prevalence and growing power of military leaders with princeling backgrounds may pose an increasingly serious challenge for the future civilian leadership.”⁷⁸ As a result, the ramifications of China’s next paramount leader, Xi Jinping (an elitist), and a largely “elitist-leaning” military will be more deeply explored in the last section of the paper.

With our review of the CCP as a strategic center of gravity completed, the following section will address the study’s last three questions: What critical capabilities

enable the CCP to maintain political resilience? What critical requirements are necessary for the critical capability to be successful? What vulnerabilities exist which could erode the CCP's political resilience?

Overview of Critical Capabilities

Referring back to earlier definitions for what constitutes a “critical capability” and “critical requirement,” the former “makes” a center of gravity by providing the center of gravity with a significant capability (or capabilities) contributing to its ultimate strength, while the latter consists of “conditions, resources, and means” to facilitate a critical capability’s effectiveness. With this in mind, the CCP draws substantial strength from four critical capabilities, which also serves as “lines of effort” guiding the leadership’s priorities and actions:

- Cultivation of Adaptive Governance
- Generation of Economic Prosperity
- Preservation of Domestic Stability
- Restoration of the Nation’s Prestige

Accomplishment of each critical capability serves to strengthen the CCP as a strategic center of gravity, bolstering the Party’s political resilience to prevent and mitigate stress on the organization. Each critical capability will be examined in comprehensive detail.

Critical Capability 1.0 (Cultivation of Adaptive Governance)

Adaptive governance is largely responsible for the Party’s ability to maintain political resilience, by providing the ruling regime with “contemporary methods of governance crucial to sustaining Communist Party rule in a shifting and uncertain environment.”⁷⁹ The CCP’s cultivation of adaptive governance at the lowest levels of

power originates from two important legacies: an underlying Chinese philosophy (emphasizing continuous adaptation to unfolding circumstances) and Mao's notion of "continuous revolution" to fundamentally transform government.

Adaptive Mindset. The first component in understanding China's proclivity toward adaptability is a key underlying and uniquely Chinese mindset originating from the ancient treatises on efficacy. French philosopher François Jullien explains how Chinese leaders constantly seek relative advantage from the "potential" configuration of any given situation, which possesses both energy and structure—especially within an uncertain environment.⁸⁰ Jullien notes how an evolving situation's "potential consists in 'determining the circumstance with a view to profiting from them,'"⁸¹ and "proceeds from continuous adaptation" to changing circumstances.⁸² Hence, the Ancient Books teach that superior Chinese leaders continuously adapt their governance and political strategies to changes in the strategic environment.

Impact of Mao's Legacy. Supporting this concept, Kissinger points out that although Mao publicly rejected the treatises, Mao "read widely the Chinese classics and was wont to quote from the ancient texts."⁸³ In fact, Mao's underlying political philosophy resulted from the unique combination of theories and practices originating from German philosopher Karl Marx and the first Chinese emperor Qin Shihuang.⁸⁴ As a result, Mao strove to transform China's system of governance, unleashing "wave after wave of [revolutionary] struggle" never permitting the Chinese people "to rest on their achievements."⁸⁵

In their seminal book, *Mao's Invisible Hand: the Political Foundations of Adaptive Governance in China*, Harvard University's Dr. Sebastian Heilmann and Dr. Elizabeth

Perry recognize today's CCP model of governance as having "adapted elements of [Mao's] guerrilla policy in dealing with crucial policy tasks, from mobilization in times of perceived crisis to managing central-local interactions to facilitating economic policy innovation...[within] a changing, complex, and unpredictable environment."⁸⁶ During the revolution, as CCP cadre assumed greater control of the countryside, local party officials regularly "made up policies as they went along," launching "an experimental brand of policy formation that became a cornerstone of Maoist revolutionary strategy."⁸⁷ "Even today, thanks to this 'experimentation under hierarchy' approach, trial implementation of controversial or risky reforms in limited domains regularly precedes the enactment of national laws."⁸⁸ Hence, the CCP's guerrilla policymaking style "pursues a decidedly change- and agency-oriented agenda" constituting "a type of *transformative governance* geared to overcoming the status quo."⁸⁹ Concluding their analysis, Heilmann and Perry provide the following summary:

We find [the CCP model of governance is] a rather fluid, context-, situation-, and agency-based *modus operandi*: a method of policy generation and implementation based on acceptance of pervasive uncertainty, a readiness to experiment and learn (even from enemies and foreigners), an agility in grasping unforeseen opportunities, a single-mindedness in pursuing strategic goals, a willingness to ignore ugly side effects, and a ruthlessness in eradicating unfriendly opposition.⁹⁰

This critical capability—the CCP's cultivation of adaptive governance—reinforces the Party's political resilience, by allowing local officials to "test and push constantly the limits of the status quo," to "seize every possible opportunity for changing the situation to their advantage," and to "keep the core strategic objectives firmly in mind, yet be agile and pragmatic as possible in choosing tactical and operational means."⁹¹

Critical Requirements 1.0. For this critical capability of adaptive governance to achieve success, the following critical requirements (conditions, resources, and means)

are necessary: (1) the CCP's reliance on local policymaking through experimentation to generate new initiatives; (2) the CCP's exploitation and regulation of the voluntary sector to support the policymaking process, while imposing legal criteria which prevents and undermines undesirable elements; (3) the CCP's use of "Leading Small Groups" to develop and coordinate consensus-building, cross-cutting policies and strategies in ways the official bureaucratic structure cannot; (4) the CCP's reform of the legal system allowing Judges to create new rules and experiment on behalf of Party interests; and (5) the CCP's use of "managed" campaigns, as a critical resource, to enact experimental policies. Each critical requirement will be briefly examined.

Critical Requirement 1.1 (Experimental Policymaking). According to Heilmann, the CCP's methods of adaptive governance rely largely on local policymaking through experimentation to generate new initiatives with greater leeway provided to local-level Party officials to find better ways of facilitating greater economic growth.

One of China's core strengths in reforming its economy has been its distinctive process of central-local interaction in policy generation that enjoys an entrenched legitimacy with the Communist Party and can be put to work to address the shifting policy priorities of the post-Mao era.⁹²

When implementing new policy initiatives, CCP officials "acknowledged regional variation and promoted concurrent experiments and multiple models."⁹³ This approach to policymaking, when applied to economic reform, "helped to release broad-based entrepreneurship that contributed to economic innovation and expansion."⁹⁴ Moreover, if policy experiments fail, political damage is contained within a limited area insulating senior CCP officials from greater fall-out. In sum, CCP officials continue to promote local policymaking through experimentation, generating new initiatives (for greater economic innovation and expansion) which may yield wider application to other regions.

Critical Requirement 1.2 (Control of the Voluntary Sector). According to Harvard University's Dr. Nara Dillon, the CCP's exploitation of a rapidly expanding voluntary sector has been effective in addressing various policy concerns while isolating undesirable elements. In the post-Mao era, the CCP allowed voluntary organizations to flourish at local and national levels which impacted "the policymaking process in areas as diverse as economic policy, family planning, and environmental protection."⁹⁵ Because Mao eliminated all non-governmental organizations upon assuming power, "this new arena for social interaction, service provision, and political participation has been enthusiastically embraced by millions of Chinese."⁹⁶ Nonetheless, in an effort to closely manage the substance and pace of further reforms, the CCP introduced new laws to better regulate the voluntary sector, promoting "favored sectors and organizations while constraining sectors and organizations that do not match its priorities."⁹⁷

At the top of the hierarchy are the official mass organizations established and sponsored by the Communist party-state. The official youth league, trade unions, and women's federation have many of the privileges and official functions commonly found in Communist and state corporatist regimes. For example, the chairmen of the Communist Youth League and the All-China Federation of Trade Unions usually serve on the CCP Politburo, and their organizations have official roles in implementing state policy and providing services to their members. At the local levels, neighborhood groups such as residents' committees and village committees are simultaneously extensions of the local state voluntary organizations important to local activists.⁹⁸

While these "top-rung" voluntary organizations pose no threat to the ruling regime, other voluntary organizations, if left unchecked, could potentially become breeding grounds of future discontent. Hence, following the 1989 Tiananmen Square crisis, the CCP established a "more legalistic governance strategy" to prevent the formation of anti-CCP activist organizations from forming, which would undermine the

Party's political resilience.⁹⁹ These newly constructed legal barriers force a candidate organization to find "a sponsoring [state] agency in the same field", allowing "only one organization...in any one field and in any one political jurisdiction."¹⁰⁰ In sum, CCP officials exploit and regulate the flourishing volunteer sector to address a broad spectrum of public concerns, while imposing legal criteria prevents and undermines undesirable elements.

Critical Requirement 1.3 (Use of "Leading Small Groups"). Dating back to the 1950s, the CCP's use of "Leading Party Members' Groups" or "Leading Small Groups" (LSGs) has facilitated development and coordination of consensus-building, cross-cutting policies and strategies. LSGs accomplish these tasks for "the Party, [central] government, and military structures in ways that the official bureaucratic structure cannot."¹⁰¹ The Party's formal sanction of LSGs is contained within Chapter IX, Article 46 of the CCP's Constitution:

Article 46. A leading Party members' group may be formed in the leading body of a central or local state organ, people's organization, economic or cultural institution or other non-Party unit. The group plays the role of the core of leadership. Its main tasks are: to see to it that the Party's line, principles and policies are implemented, to discuss and decide on matters of major importance in its unit, to do well in cadre management, to rally the non-Party cadre and the masses in fulfilling the tasks assigned by the Party and the state and to guide the work of the Party organization of the unit and those directly under it.¹⁰²

According to Michael Martin of the Congressional Research Service, since the 1990s, LSGs "have become more important in policy coordination and guidance."¹⁰³ While much is unknown about the number, focus, and composition of these groups, LSGs generate potential solutions to strategic-level challenges. In fact, during crises, Frank Miller believes LSGs are "perhaps the closest to an existing crisis management mechanism...that exist to handle coordination between [various] government

stovepipes.”¹⁰⁴ Consequently, LSGs represent an integral part of the CCP’s adaptive governance process, providing a vital interagency mechanism, to develop consensus-building, cross-cutting policies and strategies in ways the official bureaucratic structure cannot.

Critical Requirement 1.4 (Legal Reforms). To foster adaptive governance and policymaking experimentation, the CCP’s legal reforms have been instrumental, according to Dr. Benjamin Liebman, Director of the Center for Chinese Legal Studies at Columbia University. Liebman provides expertise in how Chinese courts are being used for this purpose. He states, that just as local Party officials are encouraged to conduct experimental policymaking, “local courts likewise are either explicitly or implicitly authorized to create new rules or to experiment with new procedures ahead of national laws or Supreme People’s Court (SPC) interpretations.”¹⁰⁵ Liebman also observes that “flexibility remains a key ideology underlying legal reform.”¹⁰⁶

Courts that yield to outside pressures from party leaders, the media, or individual petitioners are acting consistently with the design of the legal system—which demands that formal rules yield to policy goals...it is this commitment to flexibility and legal rules that has allowed legal reforms to facilitate a range of policy goals, from economic development to social stability.¹⁰⁷

As a result, China’s legal system remains an effective extension of the Party’s governing power, demonstrating “a sophisticated ability to know when to innovate and when to yield to state interests of stability and development.”¹⁰⁸ In sum, CCP officials continue to reform the national legal system to create new rules and experiment on behalf of Party interests.

Critical Requirement 1.5 (Use of Managed Campaigns). Another essential component of adaptive governance is the CCP’s ability to mobilize the Party apparatus

in support of new policy initiatives. According to Perry, the CCP's use of "managed campaigns" represents "an important and effective resource for policy experimentation throughout the reform era."¹⁰⁹ For example, in addressing the growing economic disparity between the rich coastal cities and poor agricultural hinterland, Hu Jintao and Wen Jiabao launched the "New Socialist Countryside" campaign calling for "improvements in the rural infrastructure, free compulsory education, and new rural cooperative medical services."¹¹⁰ Subsequently, the CCP directed additional resources to specific provinces to demonstrate the Party's responsiveness to unhappy rural residents, mobilizing tens of thousands of cadre to form hundreds of propaganda teams and large work parties.¹¹¹ As the preceding example demonstrates, CCP officials continue to leverage managed campaigns to generate mass momentum for various Party initiatives.

Critical Vulnerabilities 1.0. Despite positive benefits from the CCP's cultivation of adaptive governance, three primary critical vulnerabilities or "fundamental flaws" exist, that threaten to undermine the CCP's political resilience. These are: (1) the CCP's lack of political accountability which has led to substantial abuses of power and widespread corruption; (2) the CCP's inadequate crisis management capabilities which not only denies the Party with a rapidly coordinated, unified position, but also opens a potential window of opportunity for an aggressive national element (to include the PLA) to get ahead of the CCP's strategic decision-making processes; and (3) the increased danger of political instability in China, if the CCP moves toward greater political liberalization in a highly factionalized, "winner-take-all" election environment. Each will be briefly examined.

Critical Vulnerability 1.1 (Lack of Political Accountability). The CCP's cultivation of adaptive governance serves as a two-edged sword for the Party. Heilmann and Perry note that "political accountability [within the CCP] is sacrificed to the goal of leadership flexibility."¹¹² Senior-level CCP oversight is "sketchy and episodic" over lower-Party officials who are "not credibly constrained."¹¹³ According to Heilmann and Perry, "we find widespread evidence at the grassroots level of entrepreneurial, experimentalist, opportunistic and ruthless policy makers who simultaneously advance both their careers and their material interests."¹¹⁴ Heilmann and Perry acutely warn that this "guerrilla policy style stands in stark contrast to democratic norms of political accountability, legal consistency, and procedural stability."¹¹⁵ They add that:

To maximize flexibility and reduce the burden (and accountability) of the central leadership, the division of labor among different command levels is un-clarified and under-institutionalized. In effect, localities are generally left to fend for themselves, receiving only erratic and episodic central support. Although this may work to boost local policy creativity and operational autonomy, the lack of centrally coordinated redistribution also generates stark inter-regional disparities and underequipped "local government on a shoestring."¹¹⁶

Hence, the dangers of a lack of central oversight and political accountability allow lower-level CCP officials to profit from abuses of power and corruption, creating a potentially explosive village-level atmosphere. Highlighting this troublesome issue, Dr. Fubing Su (Vassar College) and Dr. Dali Yang (University of Chicago) observe that, "No other area is more prone to official abuse than village finance...[which] is indeed the major source of rural instability."¹¹⁷ This underlying critical vulnerability lies at the root of many looming challenges currently facing the Party.

Critical Vulnerability 1.2 (Inadequate Crisis Management). The CCP's current methods of adaptive governance fail to provide rapid, effective crisis management

capabilities. According to Frank Miller and Andrew Scobell, the days of a unitary CCP crisis response have long since passed, as “power is far more dispersed and bureaucratic politics far more important” than when Mao presided over China.¹¹⁸

In examining how the CCP normally responds during a major crisis, Miller and Scobell offer an analytic typology reflecting three crisis types: a fabricated crisis or a deliberate provocation by the CCP, aimed at achieving specific strategic goals—for example, the 1996 Taiwan Strait crisis; an anticipated crisis or a forecasted event which allows the CCP to sufficiently prepare—the 1988 flooding of the Yangzi River; and an unanticipated crisis or an unforeseen strategic event, which is normally perceived by the Party’s senior leadership as a direct challenge to the CCP’s ability to govern—such as the 2001 mid-air collision between the United States Navy EP-3 and J-8 Chinese fighter near Hainan Island.¹¹⁹ For the purposes of this study, we will only concentrate on how the CCP conducts crisis management under the latter type of crisis, which offers the greatest challenge to strategic-level decision-making.

According to Miller and Scobell, during an “unanticipated” crisis, PBSC members normally consult with their respective coalitions and LSGs to develop, coordinate, and recommend strategic courses of action. The CCP’s response to an unanticipated crisis generally entails: a “slow” reaction, a “graduated” response, and an “uncoordinated” line of effort.¹²⁰ Emphasizing a “consensus-building” approach within the Party, the CCP’s normal response is to conduct “considerable research and/or analysis...to create a strategy or game plan to determine how best to meet the goals [of (1) survival of the party, (2) enforce party unity, and (3) protect China’s international credibility] through the management of the crisis.”¹²¹ When studying the nature of the problem, “[t]he research

step is a necessary one in a regime that rules by committee, and allows the decision-makers to hear different opinions, recommendations, and the possible impact of each considered course of action on all concerned (affected) organizations.”¹²²

To an external observer, this delay could be perceived as possible regime paralysis, when the CCP has actually initiated an information black-out, as senior officials best determine how to respond.¹²³ However, such a delay may also provide ample opportunity for an aggressive element within the government to leverage the situation for its own benefit. For example, as observed in the unanticipated, late-2002 severe acute respiratory syndrome (SARS) crisis, an assertive “PLA was the first Chinese organ to break the official silence and take action to treat the outbreak in a cohesive manner...long before the Ministry of Health and the Beijing City government reversed [their] policies of [denying an epidemic even existed].”¹²⁴

From their study of the 2002 SARS crisis, Miller and Scobell concluded the PLA likely possessed a “different set of goals” than the CCP, deciding to leverage the crisis to “redeem itself in the eyes of the Chinese people,” especially in light of the PLA crackdown during the 1989 Tiananmen Square crisis. Hence, Miller and Scobell strike a cautionary note concerning the PLA’s propensity for getting in front of the CCP, which “bodes negatively in any future increase of tensions over Taiwan, the Diaoyutai [or] Senkaku Islands, or on the Korean peninsula.”¹²⁵ If this trend continues, “this could equate to military action *in extremis* of a policy decision, placing everyone in a crisis mode.”¹²⁶ The author will further examine the necessity of keeping the military loyal to the Party in the third critical capability, “Preservation of Domestic Stability.” In sum, CCP officials currently possess problematic crisis management capabilities, denying the CCP

with a rapidly coordinated, unified position, opening a potential window of opportunity for an aggressive element (to include the PLA) to get ahead of the CCP's strategic decision-making processes.

Critical Vulnerability 1.3 (Dangers of Increased Political Liberalization). As a feature of adaptive governance, the CCP must walk a fine line between allowing development of local policy initiative and containing increased demands for greater political liberalization. According to George Mason University's Dr. Jack Goldstone, the greatest predictor of political instability is the presence of competitive elections dominated by factionalism, in which there is a "winner-take-all" election outcome.

It is interesting that full autocracies are the most stable regimes, and indeed a harsh and ruthless dictatorship (such as those led by Saddam Hussein or Kim Jong Il) can prove highly stable. Yet, as dictators age, or as populations grow richer and more anxious to share in political power, autocracies often slip into allowing some political competition, ostensibly to appease regime opponents. Unless steps are truly taken toward strong partial or full democracy, the result is sometimes the opposite of appeasement; autocracies with some political competition create the promise without the reality of sharing power, and this awkward combination can unleash factional divisions and encourage radical responses. Such regimes therefore show a high risk of violent political crises. Indeed, the single most common path by which factionalized democracies arose was as a part of a transition from autocracy to partial democracy.¹²⁷

Hence, if the CCP were to pursue more competitive elections at higher-levels of government, great care must be taken to prevent a single faction from within the Party or from another external party challenger from seizing dominant power. Consequently, before embarking on greater political liberalization, the CCP must secure durable checks and balances, resulting from strong government institutions, to ensure long-term stability and meaningful political participation by all segments of society.¹²⁸

Summary of Critical Capability 1.0. The following table summarizes key center of gravity attributes for this specific critical capability:

Critical Capability	Cultivation of Adaptive Governance
Critical Requirements	<p>CCP officials:</p> <ol style="list-style-type: none"> 1. promote local policymaking through experimentation to generate new initiatives, which may have wider application in other governing areas 2. exploit and regulate the voluntary sector to support the policymaking process, while inhibiting undesirable elements 3. rely on “Leading Small Groups” to facilitate consensus-building, cross-cutting policy solutions, among various government stove-pipes 4. reform the legal system allowing Judges to create new rules and experiment on behalf of Party interests 5. leverage managed-campaigns to generate mass momentum for CCP initiatives
Critical Vulnerabilities	<p>CCP officials:</p> <ol style="list-style-type: none"> 1. tolerate an extensive lack of political accountability, which has led to substantial abuses of power and widespread corruption, especially at the local-level 2. possess inadequate crisis management capabilities, which could deny the CCP with a rapidly coordinated, unified position, allowing aggressive elements to get ahead of a formally coordinated position 3. face increased danger of political instability by moving toward greater political liberalization

Table 2: Center of Gravity Attributes for “Cultivation of Adaptive Governance”

Critical Capability 2.0 (Generation of Economic Prosperity)

The CCP’s ability to bring increased prosperity to a largely dissatisfied public has been instrumental in the Party’s ability to maintain political resilience. Prior to the Party’s successful economic reforms in the 1980s, Mao’s Cultural Revolution had produced decades of intense suffering.

The Cultural Revolution made the government so unpopular that both it and the people badly wanted change. The direction of change was clear because economic planning was recognized to be a failure. Given such a situation, there was no other way for China to go. The urgency of the case was such that it had to occur as soon as the political leadership was ready after Chairman Mao's death.¹²⁹

Understanding the need for action, the CCP embarked to gradually restructure the Chinese economy to bolster political stability. The Party's new economic policies advocated an increased "role for the market mechanism, less emphasis on egalitarianism, the pursuit of proportionate and balanced growth, the decentralization of economic decision-making, and the closer integration of China in the world economy."¹³⁰ Transforming China's economy from "a closed, centrally planned system to a more market-oriented one," the CCP initiated reforms "with the phasing out of collectivized agriculture."¹³¹ These critical measures were

expanded to include the gradual liberalization of prices, fiscal decentralization, increased autonomy for state enterprises, creation of a diversified banking system, development of stock markets, rapid growth of the private sector, and opening to foreign trade and investment.¹³²

Since 1978, the "restructuring of the Chinese economy and resulting efficiency gains have contributed to a more than tenfold increase in gross domestic product."¹³³

As a testament to the Party's successful economic transition, the CCP has lifted over 400 million peasants out of poverty (more than the population of the entire United States) in the last three decades, adding potential customers and a rising middle class to the global market.¹³⁴ Moreover, the Chinese economy has become critically intertwined with other regional economies, bringing increased prosperity to Chinese businessmen and Party officials, who have learned to exploit and profit from China's centrally-managed economic system.¹³⁵

Consequently, the country has found new wealth, power, and influence, leading to an exponential rise of new business elites. According to *Forbes* magazine's "World's Richest People" in 2011, China possesses the fastest growing rate of billionaires on the planet with 115—almost doubling its number of 64 from the previous year.¹³⁶ Likewise, in recognition of the CCP's financial success with the Party-controlled central bank, sovereign wealth fund, and state-owned enterprises, *Forbes* also honored three Chinese government officials in 2010, as some of the world's most powerful people.¹³⁷ These three Party seniors include: Changchun Li of the People's Bank of China, which holds the world's largest foreign currency reserves at \$3.2 trillion and governs the nation's official exchange rate for the renminbi (the national currency);¹³⁸ Jiwei Lou of the China Investment Corporation which controls the world's largest sovereign wealth fund at \$410 billion, investing in foreign companies and other countries' assets;¹³⁹ and Yong Wang, of the State-owned Assets Supervision and Administration Commission, who manages the country's 120 state-owned enterprises with assets totaling \$3.7 trillion.¹⁴⁰

Critical Requirements 2.0. For Beijing to achieve great economic prosperity and, thus, strengthen the CCP's political resilience, the following critical requirements (conditions, resources, and means) are necessary: (1) the CCP's ability to maintain rapid economic growth and low unemployment; (2) the CCP's reliance on the People's Bank of China to tightly manage currency value and inflationary pressures; (3) the CCP's use of the China Investment Corporation to invest its massive sovereign wealth fund in foreign companies and other nations' assets, enhancing power and influence abroad; (4) the CCP's continued consolidation and exploitation of state-owned

enterprises, via the State-owned Assets Supervision and Administration Commission, to better posture Chinese companies against top foreign companies on the global market, as well as perpetuate Party control over the workforce; and (5) the CCP's development of a largely apolitical, non-activist bloc of new business elites, who are extensively reliant on local Party-ties to facilitate establishment of profitable businesses. Each will be briefly examined.

Critical Requirement 2.1 (Rapid Economic Growth, Low Unemployment). Under the CCP's close supervision, rapid economic growth and low unemployment are critical conditions necessary for the continued generation of wealth. According to former Deputy Assistant Secretary of State Susan Shirk, "The Communist Party considers rapid economic growth a political imperative because it is the only way to prevent massive unemployment and labor unrest," which could drag down the economy and lead to domestic instability.¹⁴¹ Shirk says the CCP has developed an economic algorithm, by which to base its current policies, setting "an annual growth rate of 7 percent or more in order to create a certain number of jobs...and keep unemployment rates at levels that will prevent widespread labor unrest."¹⁴² Should China's GDP fall below the Party's goal, the CCP would likely face decreased economic prosperity and increased public pressure calling for additional economic (and possibly political) reforms. In short, CCP officials place great emphasis on achieving sufficient levels of economic growth and low-levels of unemployment for continued generation of wealth.

Critical Requirement 2.2 (Tightly Manage Currency Value and Inflation). In an orchestrated effort to gain an overwhelmingly competitive advantage in the global market, the CCP relies on the People's Bank of China as a vital means to tightly

manage a depreciated currency value and to issue monetary policies combating inflationary pressures. A depreciated renminbi, estimated to be as high as 40 percent below true market value, fosters greater foreign purchase of cheap Chinese goods and brings an influx of investment and capital into the country.¹⁴³ Toward these ends, the People's Bank of China "pegged" the renminbi's value to the U.S. dollar, inhibiting a floating exchange rate.

Under these preferable conditions, Dr. Peter Navarro, Professor of Economics and Public Policy at the University of California at Irvine, believes the undervalued renminbi acted "as a stiff tariff on U.S. exports even as it over [stimulated] U.S. consumption of Chinese exports."¹⁴⁴ As a result, Navarro says China recycled "U.S. dollars gained from its export trade back into the United States through the purchase of U.S. government bonds."¹⁴⁵ Navarro bluntly asserts China became "America's de facto 'central banker,' effectively financing both the United States budget and trade deficits through its currency manipulation as a means of creating jobs in China at the expense of U.S. companies and their workers."¹⁴⁶ Consequently, China's economic and diplomatic powers increased substantially around the globe as foreign governments pursued engagement policies with Beijing elevating their reliance on China's central bank to bank-roll their domestic programs over other national interests.

Finally, in 2005, Beijing felt significant international pressure to raise the renminbi's value. As a result, the Party allowed the People's Bank of China to appreciate the value of the currency by more than 20 percent from 2005 to 2008.¹⁴⁷ However, in 2008, the People's Bank of China "re-pegged" the renminbi's value to the U.S. dollar as a result of the global financial crisis.¹⁴⁸ Two years later, by June 2010, the

Party allowed the “resumption of a gradual appreciation.”¹⁴⁹ Recently, in a surprise move, unnamed senior Party officials told European Union business executives that the renminbi will become “fully convertible by 2015.”¹⁵⁰

In addition to the practice of currency manipulation, the Party relies on the People’s Bank of China to manage worries over rising inflation. In October 2010, the People’s Bank of China issued monetary policies to address rising inflationary pressures, which peaked at 6.5 percent in July 2011.¹⁵¹ “The People’s Bank of China has since raised the interest rate five times, and increased banks’ reserve requirements nine times.”¹⁵² As of November 2011, the CCP’s fiscal policies have dropped inflation to 5.5 percent, which should allow the Party to pursue near-term pro-growth policies.¹⁵³

In sum, CCP officials rely on the People’s Bank of China to tightly manage currency value and inflationary pressures, achieving an overwhelmingly competitive advantage in the global market.

Critical Requirement 2.3 (Leveraging Sovereign Wealth Funds). CCP officials routinely leverage sovereign wealth funds through the China Investment Corporation to purchase shares of foreign companies and other nation’s assets, providing the Party with greater profits and foreign influence.¹⁵⁴ Recent bailout discussions with the Eurozone demonstrate this point. In reviewing China’s potential financial assistance, the Vice Chairman and President of the China Investment Corporation, Gao Xiqing, alluded to China’s overseas investment strategy, stating bluntly, “Nothing comes for free in this world.”¹⁵⁵ Gao added, “The attitude some people have is that we should go and invest, leave our money there and just depart. We won’t get seats on the board; we won’t have any say how [sic] a place is run. That is not how things are done.”¹⁵⁶

As a result, the China Investment Company (which began with an initial capital investment of \$200 billion in 2007) is currently the world's largest sovereign wealth fund, accumulating an estimated \$410 billion in foreign assets. It uses these assets to deliberately target foreign equities where the CCP seeks maximum profit.¹⁵⁷ In 2010, the China Investment Company listed the following diversified equities (by region): 42% in North America, 30% in Asia, 22% in Europe, 5% in Latin America, and 1% in Africa.¹⁵⁸

With a particular view toward the United States, the China Investment Corporation "owns stock in some of the best-known American brands, including Apple, Coco-Cola, Johnson & Johnson, Motorola and Visa."¹⁵⁹ When Morgan Stanley sold common stock shares to repay bail-out funds (under the Troubled Asset Relief Program) to the United States, the China Investment Company bought \$1.2 billion in shares and now owns a \$5 billion stake (about 10%) of the American financial giant.¹⁶⁰ Additionally, the China Investment Corporation owns \$30 million of CitiGroup and \$19 million of the Bank of America. What does Chinese ownership in these American companies potentially provide the CCP?

According to Aaron Friedberg, former Vice Presidential Deputy National Security Advisor, the American business community has historically pressured successive U.S. presidents, since the Clinton Administration, to pursue full economic engagement policies with China, dissuading government officials from implementing trade barriers which would kill additional Chinese investments.¹⁶¹ With China's increasing financial leverage over America's largest (and best known) companies, "United States politicians in both parties have been nervous about China's growing financial reach, and have been particularly wary that China might seek political influence in the West

commensurate with its corporate stakes.”¹⁶² Hence, the CCP may be pursuing a politico-economic strategy which hedges diplomatic bets on their ability to leverage pressure from high-profile American companies on the United States government during a future crisis. In sum, CCP officials routinely leverage sovereign wealth funds, through the China Investment Corporation, to purchase shares of foreign companies and other nations’ assets, providing the Party with greater profits and foreign influence.

Critical Requirement 2.4 (State-Owned Enterprises). CCP officials continue to consolidate and exploit state-owned enterprises, providing smaller Chinese companies greater competitive advantage in the global market as well as perpetuating Party control over the workforce. Historically, state-owned enterprises (SOEs) enjoy “unfair advantages” against foreign private-sector rivals attempting to enter local Chinese markets.¹⁶³ One method to create an unfair advantage is for the government to “quietly obstruct” market forces, especially when foreign companies seek to acquire Chinese firms, by steering “cheap credit to local champions.”¹⁶⁴ These state-owned enterprises are “held by the State-owned Assets Supervision and Administration Commission (SASAC), which is the controlling shareholder of some 120 state-owned firms” with cumulative assets of \$3.7 trillion.¹⁶⁵ Since its inception in 2003, SASAC (who reports directly to the central government’s State Council) has been merging and consolidating “small, uneconomic” Chinese companies to form larger state-owned corporations in order to compete with larger foreign-owned corporations.¹⁶⁶ As a result, SASAC’s companies “account for two-fifths of China’s non-agricultural GDP.”¹⁶⁷

According to Dr. Barry Naughton, Professor of Chinese Economy at the University of California in San Diego, managerial positions at state-owned monopolies

are held by “important people within the Communist Party framework.”¹⁶⁸ In fact, Naughton has identified “fifty-some managers” as being “appointed directly by the central Communist Party Organization Department: they have ministry-level standing, and their appointments are finally reviewed and approved” by the PBSC.¹⁶⁹ Naughton concludes that “central enterprise managers are deeply embedded in the overall system of personnel patronage that is the essence of Communist Party rule in China.”¹⁷⁰

Moreover, within each state-owned enterprise, the CCP acts to bind the workforce—managers and workers alike—to the state-owned enterprise via “political, socio-economic, and personal dependencies.”¹⁷¹ According to Dr. Margaret Pearson, Professor of Government and Politics at the University of Maryland, these Party-created hooks entail:

First, workers have been made *politically* dependent upon the enterprise by Party cells (led by Party secretaries) and by Party-dominated trade unions. Second, employees in state enterprises have been tied *socially* and *economically* to the firm because it is the vehicle through which the state’s welfare system operates. The enterprise provides a huge proportion of life’s necessities, including medical care, housing, meals, and care in old age. Third, workers have been *personally* dependent upon their superiors within the enterprise, because of shop-floor supervisors and Party cadre have shared wide discretion over the distribution of the benefits and materials controlled by the factory, as well as approval of job transfers.¹⁷²

Thus, Pearson identifies how the Party maintains critical control over employees, whereby “employees in state enterprises [must] maintain good relationships and [try] to influence the discretion of higher managers and Party cadre by doing them favors and giving them gifts.”¹⁷³ In sum, CCP officials continue to consolidate and exploit state-owned enterprises, centrally managed by the SASAC, providing the CCP with greater competitive advantage in the global market and domestic control over the labor force.

Critical Requirement 2.5 (Apolitical, Non-activist Economic Elites). With China's newly found economic prosperity, the CCP has shaped and developed a largely apolitical, non-activist bloc of new business elites who are substantially reliant on local Party ties to facilitate establishment of profitable businesses. This lack of political and social activism by a rising number of foreign-sector managers and private-sector entrepreneurs provides crucial assurances to the ruling regime, while luring critical foreign investment to China.

Regarding foreign-sector managers—or Chinese managers of foreign companies on the mainland—the CCP largely views these business professionals as the most “unpatriotic” group in the entire Chinese workforce for not seeking employment at a state-owned enterprise or a domestically-owned private company.¹⁷⁴ According to Pearson, foreign-sector managers appear to be largely “apolitical” and “wish to be left alone,” putting business interests ahead of reform-minded activism.¹⁷⁵

They do not seek out opportunities to engage in regular contacts with the state for broader political or policy-related purposes. Even though they are located in a crucial economic sector, and hold potent opinions about the need for political and economic reform, they do not attempt to organize independently to press for broad changes at either the local or national level. In part this is because their ideology supports avoidance of even routine activism. Not only do foreign-sector managers not wish to take to the streets, but also the way they perceive “freedom” means they prefer to keep their distance from politics of any sort.¹⁷⁶

Thus, foreign-sector managers are the least likely group of all Chinese “capitalists” to freely provide their thoughts on further economic and political reforms.

With respect to the rapidly growing private-sector, unlike their foreign-sector counterparts, Chinese entrepreneurs must build close-ties with local-level cadre to navigate the cumbersome bureaucracy to launch a business. Pearson reveals that

[c]onnections with cadre are important for both the registration and the operation of private-sector businesses. To navigate the highly bureaucratic registration procedure, avoid the risks associated with identification as a private enterprise, or benefit financially for state contracts, entrepreneurs often register falsely. They may claim to be attached to a collective enterprise—becoming what is known as *guakao* (“hang-on”) enterprise—and pay the collective a “management” fee. An entrepreneur may pay a local bureau or neighborhood committee to set up a real or even dummy collective...[o]r an entrepreneur may contract to manage the business of a state or collective enterprise in return for part of the profits. The most prosperous private enterprises, in fact, appear to those with “official” covers.

Consequently, the Party’s selective use of corrupt practices, such as insisting that Chinese entrepreneurs pay informal “management fees” and “register falsely,” establishes some measure of control over the growing private-sector, while providing cadre with an additional stream of income. Moreover, the maintenance of close ties to Party officials dissuades Chinese entrepreneurs from engaging in non-Party oriented activities. In sum, CCP officials act to shape and develop a largely apolitical, non-activist bloc of new business elites, who opt to place commercial profits ahead of political activism.

Critical Vulnerabilities 2.0. The CCP’s single-minded pursuit of producing greater economic prosperity has generated critical vulnerabilities or “fundamental flaws,” that threaten to undermine the CCP’s political resilience. These include: (1) an increasing lack of domestic energy resources which is aggravated by the need for uninterrupted access to foreign petroleum and natural gas reserves; (2) alarming levels of local government debt which foster an increase of bad financial lending practices by government controlled-banks; (3) unfavorable demographics, which portray a shrinking labor force and an aging retirement population, threatening the Party’s transition to a consumer-based economy; (4) an innovation deficit which prevents the nation from

developing a more modern, advanced economy; and (5) the growing long-term damage to the natural environment for the sake of short-term economic gains, threatening China's future economic prosperity. Each will be briefly examined.

Critical Vulnerability 2.1 (Insufficient Energy Supply). Lacking sufficient domestic energy resources, CCP officials struggle to meet a growing demand for energy, relying on foreign petroleum and natural gas reserves, that are prone to potential supply-chain disruptions which could threaten the current pace of economic growth.¹⁷⁷ Beijing's sustained double-digit GDP growth, coupled with a lack of domestic energy resources, forced China to become a net-energy importer in 1993.¹⁷⁸ Today, China is the world's largest energy consumer and the second largest oil-importing nation,¹⁷⁹ with foreign petroleum demand expected to double in the next 25 years.¹⁸⁰ During this same period, China's demand for natural gas is expected to quadruple.¹⁸¹ By 2035, the U.S. Department of Energy predicts China (likely possessing the world's largest economy by this point) "will require 68 percent more energy than the United States."¹⁸²

Of significant concern to the Party, the majority of China's maritime-delivered oil imports flow through three strategic chokepoints, creating a string of vulnerabilities to the economy. These strategic chokepoints are: the Abqaiq Processing Facility (the world's largest refinery, handling two-thirds of Saudi Arabian oil production); the Strait of Hormuz; and the Strait of Malacca.¹⁸³ Almost 75 percent of China's oil imports flow through at least one of these three strategic chokepoints with 45 percent flowing through at least two strategic chokepoints.¹⁸⁴ From the Middle East, six countries (Saudi Arabia, Iran, Oman, Iraq, Kuwait, and the United Arab Emirates) meet 46.3 percent of the China's petroleum import requirements, with Saudi Arabia topping all providers at

20.5 percent.¹⁸⁵ From Africa, four nations (Angola, Sudan, Libya, and Republic of Congo) account for another 26.9 percent of oil imports.¹⁸⁶ Hence, with a closure to just one foreign-controlled chokepoint, China's continued economic prosperity could be jeopardized. In sum, CCP officials struggle to satisfy a growing demand for energy, relying upon foreign petroleum and natural gas reserves, that are prone to potential supply-chain disruptions which could threaten the current pace of economic growth.

Critical Vulnerability 2.2 (Rising Local Government Debt). Party officials are also struggling with alarming levels of local government debt that foster an increase of bad financial lending practices by government controlled-banks. According to information provided by the China Banking Regulatory Commission, the burgeoning debts of local governments are a growing concern for the CCP, with public debts reaching approximately 50 percent of China's GDP.¹⁸⁷ At the end of 2010, the China Banking Regulatory Commission reported that "local government debt was 80% of total bank lending in China" in large part due to loans "extended by government-owned and controlled banks to local authorities during the global financial crisis in a bid to sustain growth."¹⁸⁸ According to Fitch, an international credit ratings agency, China's "credit risk has risen from an over-extension of loans to local governments and property—both of which have questionable medium-term repayment capacity."¹⁸⁹ Moody's, another major international credit rating agency, warns "that bad debt could reach between 8% and 10% of the total loans."¹⁹⁰

Consequently, China's Ministry of Finance provided "permission to four local governments to sell bonds for the first time in 17 years, in a move to help them repay their debts."¹⁹¹ The four local governments are Shanghai, Zhejiang, Guangdong, and

Shenzhen, which “will be allowed to issue three-year and five-year bonds to raise money” under the Ministry of Finance’s “tight control.”¹⁹² The Chairman of the China Banking Regulatory Commission, Liu Mingkang, commented on the government’s new imposition of strict controls, stating “it is undeniable that local government financing platforms have not been prudently managed...[a] lack of monitoring mechanism and other problems have created a number of risks.”¹⁹³ In sum, CCP officials remain alarmed at rising levels of local government debt, which has fostered an increase in poor financial lending practices by government-controlled banks.

Critical Vulnerability 2.3 (Unfavorable Demographics). China’s unfavorable demographics portray an uncertain economic future caused in large part by past CCP social policies. As a result of the Party’s “one-child” policy and rising per capita income (due to the generation of economic prosperity), China’s fertility rate has fallen “well below the population maintenance rate.”¹⁹⁴ China’s working-age population (from ages 15 to 64) will peak in 2015 and then begin to contract significantly, according to a 2006 report by the Joint Economic Committee of the United States Congress.¹⁹⁵

In major cities, the economic boom has already created a shortage of highly skilled workers and professionals, boosting their real compensation.... Real compensation for less skilled or unskilled workers has also begun to grow, but at a slower pace. Because of higher labor costs, the “China price” – the price that major retailers (e.g., Walmart, Carefour) are willing to pay to their suppliers based on the cost of importing similar goods from China – increased for the first time in 2005.

Currently, the PRC has a “floating population” of about 140 million unemployed or underemployed people. At the PRC’s current growth rate, however, these “floaters” will be fully absorbed into the economy by 2015.

Consequently, the PRC cannot remain a low-wage economy. After 2015, labor shortages should significantly increase the real compensation of all Chinese workers. This will force the PRC to shed many of its current jobs in labor-intensive industries and assembly operations.¹⁹⁶

Thus, labor costs in China—especially along the coast in the industrial manufacturing provinces—are expected to soar, forcing companies to either pay increased wages or seek new locations of cheaper labor, possibly deeper into the countryside.

Moreover, a recent assessment by Maplecroft, a company specializing in global risk analysis, reports “mass strikes in China are being led by a younger generation of workers that are increasingly aware of their rights and are not afraid to protest against low wages, long working hours and poor working conditions.”¹⁹⁷ The report adds, “[s]trikes have been most common in the automobile and electronics sector in Special Economic Zones (SEZs), particularly in Guangdong, Jiangsu, and Zhejiang.”¹⁹⁸ Maplecroft identifies two factors for increased awareness among young workers: the Foxconn suicides in 2010 and recent labor law changes.¹⁹⁹ A formal review of Foxconn’s labor environment, by twenty Chinese universities after the highly publicized suicides, revealed a “labor camp” environment “that severely violates China’s labor laws” with routine physical and mental abuse of workers.²⁰⁰ Maplecroft asserts that “laws introduced in 2008 are effectively transforming China’s labor market; meaning the balance of power is moving away from employers....[and] giving workers more rights and protections.”²⁰¹

As China’s labor force shrinks—albeit with greater employee rights, wages, and benefits—the overall population also grows older, placing additional stress on continued economic development and available post-retirement social programs. The 2006 Congressional Report states “the PRC’s elderly population should increase from 100 million, or 7.6 percent of the total population, to 320 million, or 23.0 percent of the total population, in 2045.”²⁰² Hence, the 2006 Congressional Report concludes:

Unlike other major economies, the PRC lacks a comprehensive system of either government old-age pensions or private retirement saving plans. Reform eliminated Mao's "iron rice bowl" system under which state-owned enterprises provided their workers with comprehensive social-welfare benefits. Today, only 15 percent of urban workers are eligible for government old-age pensions. Few private retirement plans are available. Consequently, the elderly must rely on their own savings or their family for retirement income.... The lack of a government social safety net and the limited availability of consumer credit, insurance products, and private retirement plans drive Chinese households to save prodigious sums. In 2005, the PRC's gross saving rate was 49.1 percent of GDP.... Consequently, the PRC may incur difficulties shifting from export-led to domestic consumption-driven economic growth.²⁰³

Hence, China's aging population lacks a sufficient post-retirement safety-net, forcing today's workforce to save funds now for tomorrow's anticipated post-retirement costs, complicating the Party's planned transition to a domestic consumer-based economy.

Critical Vulnerability 2.4 (Innovation Deficit). According to the Paris-based Organization for Economic Cooperation and Development (OECD), China "must do more to succeed in building a modern, more advanced economy," noting the country's lack of sufficient innovation.²⁰⁴ In a frank assessment, the OECD states, "Developing the country's innovation capacity is a prerequisite for escaping from a pattern of specialization characterized by intensive use of low-skilled labor and natural resources and a low level of technological capabilities."²⁰⁵ The OECD report provides a number of recommendations, prescribing more Chinese actions to "improve corporate management and financing [especially the funding needs of small firms], enact antitrust legislation, and promote competition through better, more open regulations."²⁰⁶

According Dr. Bill Fischer, Professor of Technology Management at the International Institute for Management Development in Switzerland, China appears to be most adept at "capturing value" versus "creating value."²⁰⁷ Fischer states many Chinese patents are, in fact, "utility patents, and do not represent significant new

contributions to knowledge” or value-creation.²⁰⁸ Fischer adds China may be very “productive in generating patents, [however] these may not necessarily translate to economic impact.”²⁰⁹ Fischer advises that “[i]n order to make it big on the global stage, a nation’s firms need to be able to capture the economic value associated with that activity.”²¹⁰ Fischer surveyed Chinese business students, who are pursuing graduate-level business degrees in Europe, which revealed the students are “less optimistic about China’s prospects as a global innovative leader” and believe a “less glamorous and more managerial long march” needs to be accomplished “to realize the value” of increased inventive activity.²¹¹ In sum, international experts assess Beijing must resolve China’s current innovation deficit to become a more modern, advanced economy.

Critical Vulnerability 2.5 (Environmental Degradation). And finally, the CCP’s single-minded drive for economic prosperity comes at a huge environmental cost, threatening China’s continued economic prosperity. Navarro asserts China is “the most heavily polluted country on the planet with enormous environmental problems that are not just local and regional, but global in scope.”²¹² Referring to China’s massive smog problem as “chog,” Navarro reports:

This chog is sucked up into the jet stream and then travels as far away as Canada and the United States. Indeed, at times, as much as 25% of the air pollution in cities like Los Angeles and San Francisco originates in China.... [W]ithin 25 years, China’s carbon dioxide emissions will double that of all other industrial nations combined!²¹³

Additionally, Navarro offers key air quality statistics (as compiled by the World Bank and the Chinese government) demonstrating the magnitude of China’s environmental pollution problem. The following represents an extract from Navarro’s inventory of China’s environmental offenses:

- China is home to 16 of the 20 most polluted cities in the world.²¹⁴

- Of China's 100 cities with more than a million people each, fully two-thirds fail to meet World Health Organization air-quality standards.²¹⁵
- China is the world leader in sulfur dioxide emissions—the primary culprit for smog.²¹⁶
- China releases 600 tons of mercury into the air annually, nearly a fourth of the world's non-natural emissions.²¹⁷
- China is the world leader in generating ozone-depleting substances.²¹⁸

Navarro pointedly labels the ruling regime as the top proliferator of dangerous pollutants and green-house gases, which has enormous consequences for the rising Asian nation.

From an economic perspective, Navarro cites additional World Bank statistics indicating China's environmental degradation costs are between eight and twelve percent of Beijing's annual GDP.²¹⁹ Navarro says, "These costs include increased medical bills, lost work due to illness, damage to fish and crops, and money spent on disaster relief."²²⁰ On a more deadly note, Navarro claims, "[China's] air pollution kills a staggering number of Chinese every year—some 700,000 souls."²²¹

Joining Navarro's concerns, Dr. Elizabeth Economy, Director for Asian Studies at the Council on Foreign Relations, warns that China's environmental problems represent significant challenges for the entire Party.

The central government sets the country's agenda, but it does not control all aspects of its implementation. In fact, local officials rarely heed Beijing's environmental mandates, preferring to concentrate their energies and resources on further advancing economic growth.²²²

Dr. Economy bluntly concludes that only "revolutionary bottom-up political and economic reforms" will enable the Party to reverse its present course of environmental destruction.²²³ Otherwise, if these "revolutionary" reforms do not materialize, Economy harkens back to an earlier warning conveyed by the former Vice Minister of China's

State Environmental Protection Administration (SEPA), Pan Yue, who said, "The [economic] miracle will end soon because the environment can no longer keep pace."²²⁴

Summary of Critical Capability 2.0. The following table summarizes key attributes of this specific critical capability:

Critical Capability	Generation of Economic Prosperity
Critical Requirements	<p>CCP officials:</p> <ol style="list-style-type: none"> 1. strive to achieve sufficient levels of economic growth to promote continued low-levels of unemployment 2. tightly manage currency value and inflationary pressures, through the People's Bank of China, to provide a competitive economic advantage 3. leverage sovereign wealth funds, through the China Investment Corporation, to purchase shares of foreign companies and other nations' assets, providing the Party with greater profits and foreign influence 4. continue consolidation and exploitation of state-owned enterprises to better posture Chinese companies against foreign companies and perpetuate Party control over the labor force 5. shape and develop a largely apolitical, non-activist bloc of new business elites, who place commercial profits ahead of political activism
Critical Vulnerabilities	<p>CCP officials:</p> <ol style="list-style-type: none"> 1. confront a lack of domestic energy, which is aggravated by the need for uninterrupted access to foreign petroleum and natural gas reserves 2. struggle with alarming levels of local government debt, which has fostered an poor financial lending practices by government-controlled banks 3. suffer from unfavorable demographics, which portray a shrinking labor force and an aging retirement population, threatening the government's transition to a consumer-based economy 4. possess a current innovation deficit, which prevents the nation from developing a modern, more advanced economy 5. contribute to growing long-term damage to the natural environment for the sake of short-term economic gains, threatening China's future economic prosperity

Table 3: Center of Gravity attributes for "Generation of Economic Prosperity"

Critical Capability 3.0 (Preservation of Domestic Stability)

The CCP's preservation of domestic stability greatly enhances the Party's ability to maintain political resilience. A wide range of security capabilities to monitor, mitigate, and suppress internal threats provides the Party with critical means to maintain public order. Former Deputy Assistant Secretary of State Susan Shirk identifies the PLA's violent suppression of the 1989 Tiananmen Square student protests as a landmark event for the CCP, in which the Party hopes to never repeat.²²⁵ During the Tiananmen Square crisis, a sharply divided PBSC exacerbated tensions by providing a continuous flow of mixed messages to the protestors (and the country), which simultaneously sought to engage the demonstrators in productive dialogue to ease tensions, while issuing antagonistic statements labeling them as puppets of "bourgeois liberalism."²²⁶

After almost three months of protests, China's Paramount Leader and respected elder, Deng Xiaoping, sided with three PBSC conservatives (Li Peng, Qiao Shi, and Yao Yilin), deploying the military to re-establish control in the country's capital.²²⁷ In addition, the reform-minded CCP General Secretary Zhao Ziyang was immediately removed from power and placed under house arrest until his death in 2005.

For Zhao Ziyang and the students, Tiananmen was a personal tragedy. For the Communist Party leaders it was "a life-and-death turning point for the future of our Party and state." The People's Republic was almost uprooted by the split in the leadership and massive nationwide protests, and remained standing only because the People's Liberation Army stayed loyal. From that day onward, Chinese leaders have lived with fear that another Tiananmen might bring down the Communist dynasty....The trauma of Tiananmen left China's communist leaders hanging by a tenuous thread.²²⁸

The ultimate brutal conclusion in Tiananmen Square underscored Deng's advice to future CCP leaders to put "political stability ahead of everything else."²²⁹ According to Shirk, "although never publicly articulating it, the Party has come up with a formula for

stability: avoid public leadership splits, prevent large-scale unrest, and keep the military on the side of the Party.”²³⁰

Critical Requirements 3.0. Leveraging Shirk’s informed thoughts on the Party’s methods of preserving domestic stability, the following critical requirements (conditions, resources, and means) are necessary: (1) avoid public leadership splits; (2) monitor, mitigate, and suppress large-scale unrest; and (3) keep the military loyal to Party leadership. Each will be briefly examined.

Critical Requirement 3.1 (Avoid Public Leadership Splits). The CCP’s ability to avoid public leadership splits is an essential condition toward preserving domestic stability. Shirk believes the CCP learned an invaluable lesson from the 1989 Tiananmen Square crisis, stating “[i]f they do not hang together, they could hang separately, as the old Western saying goes.”²³¹ From Shirk’s experience with senior CCP officials, “each individual politician has moments of temptation, when an interest in acquiring more power for himself might lead him to exploit a crisis situation and reach out beyond the elite selectorate [or his faction and base of support] to mobilize a mass following.”²³²

With this in mind, the PBSC’s secretive selection process of the Party’s most elite officials attempts to weed out overly ambitious, independent minded politicians. For example, Alice Miller believes Bo Xilai, the rising “flamboyant” CCP party secretary from Chongqing and current lower-level Politburo member, will not likely win a coveted promotion to the PBSC, during the next 2012 National Party Congress. Alice Miller writes,

For an oligarchic collective leadership to function well, personality and personal style undoubtedly matter. In that regard, speculation about the candidacy of Bo Xilai, the flashy party chief in Chongqing, may be ill-founded. Bo’s well established tendency of grandstanding and playing to

foreign media reportedly rubs many party leaders the wrong way and may strike those making selections for the upcoming Xi leadership collective as unsuitable characteristics in an individual expected to live up to the standards of discipline and conformity that members of the Hu leadership group have displayed.²³³

Hence, when selecting the Party's next PBSC members, the CCP's senior-most officials and elders seek Party leaders who display the highest "standards of discipline and conformity" to ensure future stability within China's inner-most sanctum of power.

When controversial decisions are made, the PBSC desires to put forward a public face of total unity, in part to ensure each faction publicly shares the risk of sensitive, unpopular decisions. For example, Jiang Zemin, the General Secretary of the CCP, reportedly once "summoned more than two thousand CCP officials to a special meeting at which time he required each of the members of the Politburo Standing Committee to stand up and testify that they endorsed the necessity of the campaign to eradicate the Falun Gong, the spiritual group that had organized a large sit-in around the leadership compound in April 1999."²³⁴

Another method of preventing leadership splits is by averting the emergence of a single all-powerful leader (who would threaten the balance of power among factions) by employing the use of "fixed terms of office, term limits, and a mandatory retirement age" to "reduce the risk of destabilizing leadership splits" and "to regularize leadership competition."²³⁵ For example, Shirk highlights the CCP's groundbreaking transition of power in the early twenty-first century: "When Jiang Zemin, having reached the age of seventy-seven, retired as CCP general secretary (2002) and president (2003), it was the first time that a leader of a large communist country had ever handed down power to a successor without putting up a fight or dying."²³⁶

In sum, CCP officials avoid public leadership splits through various process-oriented mechanisms to include: ensuring PBSC members possess the highest standards of discipline and conformity, requiring all PBSC members share stakeholder-responsibility in making controversial and sensitive decisions, and insisting all PBSC members abide to the Party's "office-holding" limits.

Critical Requirement 3.2 (Monitor, Mitigate, and Suppress Large-scale Unrest).

The CCP relies on a spectrum of security capabilities to monitor, mitigate, and suppress large-scale unrest, preserving domestic stability. Of utmost importance to the ruling regime, the CCP's Central Propaganda Department is responsible for monitoring all media content on a daily basis. Led by Politburo member, Liu Yunshan, the Central Propaganda Department operates under the oversight of the fifth-ranked PBSC member, Li Changchun, whose responsibility is head of all propaganda activities—as Chief of the Party's Central Guidance Commission for Building Spiritual Civilization. According to Dr. Anne-Marie Brady, Associate Professor at the University of Canterbury,

The Central Propaganda Department oversees the Propaganda and Education System (*xuanjiao xitong*) which monitors, instructs and censors all of China's newspapers and magazines, film, television and radio broadcasting, the Internet, the publishing industry, and all aspects of cultural and information production from the highest to the lowest levels of society.²³⁷

While some scholars believe the relevance of the Central Propaganda Department has decreased with market reforms, Brady argues the organization has undergone a "rebirth" of sorts, especially since the 1989 Tiananmen Square crisis. Once again, Brady writes,

What my research indicates is that China has been consciously modeling itself on aspects of the West, especially in the post-1989 period, but not

the aspects that Western liberal intellectuals like to boast of. Since the late 1980s and early 1990s, as part of a planned program of reform of the propaganda system, China has been adopting the methods of mass persuasion, mass communication theories, political communication, political and commercial [public relations], advertising theory and user pays, and incorporating them into the contemporary propaganda system. And as a consequence, rather than declining as some predicted, the activities and power of the Central Propaganda Department have actually increased in recent years and look set to continue that way.²³⁸

Thus, according to Brady, the Central Propaganda Department plays an increasing role in molding Chinese public opinion to central Party themes via the “methods of mass persuasion” over an extensive communications infrastructure. Instead of looking single-mindedly at the internet as a threat, the Central Propaganda Department proactively embraces all forms of media to tout the Party line and dissuade opposition.

Additionally, the Ministry of Public Security constitutes the state’s domestic police. This critical organization is currently led by Meng Jianzhu, a former Party secretary of the Jiangxi province. According to the Chinese government,

The responsibilities of [the Ministry of Public Security] in China include: the prevention, suppression and investigation of criminal activities; fight against terrorist activities; maintenance of social security and order; fight against behaviors jeopardizing social order; control over traffic, fire, dangerous objects and special trades; administration of household registration, identification cards, nationality, entry-&-exit and stay, travel of foreigners in China; maintenance of border security; protection of state assigned persons, venues and facilities; management of rallies, parades and demonstrations; security inspection of public information networks; supervision and instruction of security work in state organs, societal associations, enterprises and important construction sites; and instruction of crime prevention work of community security commissions.²³⁹

Hence, the Ministry of Public Security has extensive responsibilities to identify and mitigate threats to “social security and order.”²⁴⁰

Moreover, under the shared jurisdiction of the Ministry of Public Security and the Central Military Commission, the People’s Armed Police Force (PAPF) constitutes a

paramilitary-like internal security force. In 2009, the CCP codified the domestic-security responsibilities of PAPF, in response to growing instability in the provinces of Tibet and Xinjiang. According to an 2009 article in the *China Daily*,

The Law on the People's Armed Police Force (PAPF) of the People's Republic of China mandates the mobilization of the 660,000-strong PAPF to deal with riots, disruptions, serious violent crimes, terrorist attacks and other emergencies. Armed PAPF officers will patrol China's municipalities, provincial and regional capitals during periods of unrest, and take responsibility for the security of major transport lines and important public facilities....Under the 38-article law, PAPF troops can establish security checkpoints to examine all personnel and vehicles entering and departing an area under their authority. PAPF personnel can interrogate suspicious persons and check their identification documents, belongings and vehicles. They are also authorized to "take necessary measures" to dispel large assemblies of people that compromise social order and the security of facilities the PAPF protects.²⁴¹

In 2008 and 2009, the PAPF was instrumental in suppressing protests and riots in Lhasa (against Tibetan monks) and Urumqi (against the Uighurs).²⁴² As a result of these events, hundreds of people were reportedly killed and thousands injured.²⁴³ Afterward, following an after-action review, Party elites agreed to further legalize the domestic security powers of the PAPF.

Finally, when “high-profile” tensions spike at a specific location, Shirk reveals CCP officials in the central government employ a well-known strategy of publicly sympathizing with protestors while promising to address their grievances, co-opting social and economic elites to prevent them from leading political opposition, and appealing to nationalist sentiment.²⁴⁴ In sum, CCP officials utilize various domestic capabilities to monitor, mitigate, and suppress domestic unrest.

Critical Requirement 3.3 (Keep the Military Loyal to the Party). Arguably, the most important factor in preserving domestic stability is the Party’s ability to maintain the PLA’s loyalty. When an internal crisis erupts requiring additional capabilities, beyond

that of the Ministry of Public Security special police and PAPF, the CCP must rely on the PLA (as a last resort) to re-establish and impose social order at all costs. The Tiananmen Square crisis in 1989 serves as a prime example of how Beijing brutally employed the military against its own citizens.

After nearly a seven week stand-off between protestors and the Party, the CCP ordered the PLA against a largely native Han public, demonstrating in the heart of the nation's capital. Until this point, a "disloyal" police force and PAPF security units had failed to control and eject the crowds.²⁴⁵ Labeled as the "People's War against the People's Army," Dr. Larry Wortzel, U.S. Army attaché serving in Beijing, says the CCP took extreme measures to prepare the PLA for the ugliness of domestic combat.

Wortzel writes,

It was clear to China's leaders that the police and [PAPF] were ineffective in controlling the crowds, if not disloyal, and that large portions of the PLA leadership sympathized with the demonstrators. Moreover, additional forces were pouring into marshaling areas outside of Beijing.... The 12-14 divisions of the different PLA group armies surrounding Beijing were pulled back, away from the city, into military assembly areas. Sequestered and isolated from the populace in those encampments, the uneducated, rural infantrymen and tankers of the Army were told the city was full of a combination of good, but confused citizens and "counter-revolutionary enemies of the people." This reversion to the most virulent Maoist terminology associated with class warfare. One could hear it on loudspeakers at night when close to the troop assembly areas.²⁴⁶

Having completed two weeks of intense indoctrination, Wortzel says the CCP ordered the PLA to "clear" Tiananmen Square by 0100 on 4 June 1989.²⁴⁷ In final preparatory moves, by the afternoon of 3 June, the PLA positioned an armored division to assault from the north and two armies from the south, along with similar units in the west. What happened next is described first-hand by Wortzel.

The stage was set for a phased military operation to gain control of Beijing.... PLA tanks cut through roadblocks of city buses, trucks, and

tractors like butter. As the PLA got closer to the center of the city, resistance increased. Young urban workers, most of whom had army or militia training, really did conduct “People’s War.” After tanks passed through a road block, the urban fighters often used steel bars from road block dividers to disable their tracks. Once a combat vehicle was disabled in this manner, street fighters swarmed over the vehicle, covering the engine intake with blankets on which they had poured gasoline or diesel fuel. When the blankets were ignited, the PLA crews were forced to exit the vehicles, after which they were beaten by people at the roadblocks and pelted with rocks or Molotov cocktails.... By the time troops neared Tiananmen Square, they were scared and angry. The political reeducation at the hands of the CCP commissars had come true.²⁴⁸

After the 1989 Tiananmen Square crisis, the PLA’s reputation with the Chinese public was badly damaged; however, Wortzel cautions “the Communist Party can probably count on the PLA to do its bidding” during future domestic crises, especially when aimed at maintaining dominant Party rule.²⁴⁹ In sum, CCP officials clearly understand the vital necessity of keeping the military loyal to the Party, but wish to prevent any future situation which places the Chinese military (ever again) in such a precarious position.

Critical Vulnerabilities 3.0. The CCP’s preservation of domestic stability is challenged by several critical vulnerabilities or “fundamental flaws” that threaten to undermine CCP political resilience. These include: (1) a lack of preparation for a sudden, massive wave of unemployment; (2) independent-minded journalism; (3) rural discontent; (4) ethnic minority unrest; and (5) the availability of mass communications, to include social networking technologies, that could coalesce various dissatisfied segments of the population. Each will be briefly examined.

Critical Vulnerability 3.1 (Sudden, Massive Wave of Unemployment). Until 2015, when China begins to experience a shrinking work force and, thus, a labor shortage,²⁵⁰ the constant threat of a sudden, massive wave of unemployment, with disaffected workers clashing with police, remains a core concern for Party leaders. In fact, as of

March 2012, Europe has cancelled a host of manufacturing orders in China (due to the Eurozone financial crisis), leading Chinese factories to lay-off thousands of employees and shutdown approximately 450 small- and medium-sized businesses in the coastal industrial city of Dongguan, in the Guangdong province.²⁵¹ As a result, violence between dissatisfied workers and police has escalated. According to a November 26, 2011 article in the *Washington Post*,

Thousands of workers clashed with police Thursday at a footwear factory in the city of Dongguan after 18 workers were reportedly laid off and overtime was cut. A thousand workers went on strike Tuesday at the Shenzhen factory of a Taiwanese electronics company. A day earlier, hundreds reportedly struck at a Shenzhen company that makes underwear and lingerie. On Oct. 28, hundreds of employees of a Dongguan furniture company protested in the streets after the factory boss disappeared without paying them three months' salary. While every strike addresses specific grievances, the broad unrest this time is thought to be directly linked to the sluggish state of the global economy, particularly the ongoing crisis in Europe, which accounts for just over one-fifth of all Chinese exports.²⁵²

As Europe struggles to solve its financial problems, the manufacturing segment of China's interconnected, global economy is beginning to suffer, forcing thousands of Chinese out-of-work. With tensions mounting, the PBSC's 9th ranked member, Zhou Yongkang, serving as China's "law-and-order czar" as head of the CCP's Political and Legislative Affairs Committee, "is warning that China is ill-prepared for social unrest generated by changes in the economy."²⁵³ In remarks aimed at China's provincial leadership in December 2011, Zhou urged CCP officials "to eliminate wasteful spending that has contributed to the mass protests, riots and other unrest that have proliferated in recent years," as well as to develop "innovative approaches" to "dampen unrest" such as "stepped-up unemployment insurance" and greater "policing" of problematic areas.²⁵⁴

To assist in identifying growing domestic instability, Dr. David Shambaugh, Professor of the China Policy Program at The George Washington University, provides the following “Stability Typology” with respect to the “unemployed” segment:

Stability ----- Instability				
<i>Condition</i>	<i>Disruption</i>	<i>Rebellion</i>	<i>Revolution</i>	<i>Collapse</i>
Population Segment: unemployed	harassment, slow-downs, sabotage, quitting, sit-ins, wild-cat strikes	strikes, both wild-cat and organized, some sympathy actions	general strike; workers joining other social sectors	economic collapse; work without pay

Table 4: “Unemployed” Population Segment - Stability Typology²⁵⁵

Using Shambaugh’s typology, today’s China can be classified as a largely “stable” nation, experiencing minor “disruptions” to the point of “rebellion” in select manufacturing areas, where violent protests and “wild-cat strikes” (or strikes without the prior-approval of an organized trade union²⁵⁶) are on the rise, involving both recently laid-off employees and still-employed manufacturing workers, who are currently displeased with recent overtime cuts.²⁵⁷ According to Shambaugh’s continuum, a move to a condition of general “rebellion” would observe larger protests and strikes, involving sympathetic unemployed—as well as employed—manufacturing workers from other provinces.²⁵⁸ If additional social segments such as farmers, students, and migrant workers were to join the striking manufacturing industry as a whole, Shambaugh’s typology would classify the situation as the beginning of an unstable “revolution.”²⁵⁹ And finally, if China’s economy were to totally collapse (however unlikely), local Party cadre would likely force state-owned enterprise employees back to their jobs without pay until crisis resolution.²⁶⁰ In sum, CCP officials are insufficiently prepared for a future sudden,

mass wave of unemployment and are attempting to develop provincial-level social safety-nets to catch the disaffected and prevent a slide toward greater instability.

Critical Vulnerability 3.2 (Independent Journalism). China's press corps is closely monitored by the CCP's Central Propaganda Department, which provides media outlets with detailed guidelines on appropriate story content, applying substantial pressure on journalists and editors to comply. Once again, Brady's expertise on the Central Propaganda Department is appreciated.

One of the main tasks of the journal *Neibu tongxun* is to provide guidelines for media personnel of current themes they should focus on or avoid. In the following section I have summarized some of the main points of these themes, which have remained remarkably consistent in the period under consideration...*Think Positive ... No Bad News During Holidays/Sensitive Dates...Don't Mention Problems that Can't Be Easily Solved...Talk Up the Economy...Demonize the US...Don't Promote the View of the Enemy...Use international News to Mould Public Opinion on Issues Relating to China...New Wine in Old Bottles: Recycling Propaganda.*²⁶¹

Aside from providing content-related guidelines to editors and reporters, Brady also reveals additional reward and punitive powers of the Central Propaganda Department to ensure favorable coverage of the Party.

In addition to its 'guiding' role in propaganda and ideological work the Central Propaganda Department and its provincial branches have the power to authorize the hiring and firing of senior managers in the media and other propaganda related sectors. Through this system they are also able to have indirect influence on those who are hired and fired at a lower level. Those who reach the position of senior editor are 'encouraged' to become party members, thus putting them under two disciplinary systems, both that of the State and the CCP.²⁶²

However, Brady adds,

...a small number of Chinese journalists continue to challenge the mouthpiece/lapdog role, 'playing line balls' (*cha bianqiu*) by pushing the boundaries of what is politically acceptable to publish. Investigative journalism attracts readers/viewers and in a commercialized cultural economy all newspapers and television stations are competing for advertising dollars and subscriptions/audiences to pay for the cost of

production and maintain well-qualified staff. The costs of breaking the rules can be high: demotion, fines, physical and verbal harassment, journalists and editors being fired and put under arrest, whole newspapers have even been closed down. In contrast, the rewards for breaking the rules are relatively slight – mostly moral, certainly not financial.²⁶³

Nevertheless, episodic cases of independent journalism do exist, in which better-known Chinese media outlets have clearly rebelled, publishing damaging stories about the actions and activities of Party and government officials.

In a recent example, after a high-speed “bullet” train crashed into a stalled train on July 23, 2011 in the town of Shuangyu (in the eastern Zhejiang province) killing approximately 40 people, China’s *Economic Observer* published an extensive front-page article, in rare defiance of strict orders from Beijing’s propaganda officials to play-down coverage of the accident.²⁶⁴ During the emergency services’ response, and what later became a sensational story, a local police captain refused what he believed were premature, hasty orders from senior CCP officials to immediately clear wreckage from the tracks, aimed at enabling train service to resume.²⁶⁵ The police officer believed survivors were still present, warranting additional search activities.²⁶⁶ Shortly thereafter, a rescue team eventually found a 2-year old little girl alive, under the wreckage. Embedded within a newspaper’s eight-page coverage, the *Economic Observer* (one of China’s leading papers) wrote a heartfelt letter to the little girl, nicknamed “Yiyi,” slamming senior government officials for their “arrogance” and “rashness” in deciding to clear the tracks.²⁶⁷ Translated contents of the *Economic Observer*’s letter include:

Yiyi, when you’ve grown up and started to understand this world, how should we explain to you everything that happened on July 23, 2011? That train that would never arrive, it took away 40 lives that loved and were loved, including your parents. When you’re grown, will we, and this country, [live] to honestly tell you, about all the love and suffering, anger and doubts around us?

How do we tell you that, even as they'd declared there were no more signs of life in the wreckage, and had started cleaning up the site, you were still there struggling in the crushed darkness. Do we tell you, with the truth still far off in the distance, that they buried the engine; that before any conclusions had been reached, the [train] line that had given birth to this tragedy was declared open. They called your survival a miracle, but how do we explain it to you: When respect for life had been trampled, caring forgotten, responsibility cast aside, the fact that you fought to survive – what kind of miracle is this?

Yiyi, one day you might pass by this place again. When the train whistle once again startles this silent land, will we reluctantly tell you about all the hypocrisy, arrogance, rashness and cruelty behind this tragic story?²⁶⁸

The Party quickly forced the *Economic Observer* to remove the article from its on-line service, but not before the international press picked-up the story, placing the newspaper's critical comments on their own websites.²⁶⁹ In response to the ensuing critical media coverage and resulting public outrage, the CCP fired three senior railroad officials and suspended the services of 58 other trains in a nationwide safety check.²⁷⁰ In sum, CCP officials suffer from episodic cases of independent journalism, in defiance of CCP Central Propaganda Committee guidelines, which embarrass senior Party officials and expose national-level deficiencies.

Critical Vulnerability 3.3 (Rural Discontent). Another source of instability is the rising level of rural discontent, especially “in the poorer interior provinces such as Hunan, Hubei, Anhui, and Jiangxi.”²⁷¹ Dr. Thomas Bernstein, Professor Emeritus of Government at Columbia University, identifies these specific provinces as the most likely areas to suffer unrest, based on the provinces' historical challenges which go back decades or even centuries.²⁷²

In general, Shambaugh summarizes Bernstein's analytical findings, stating rural residents are largely unhappy with a host of local issues to include: “informal taxation,

fees, fines, appropriations, and other revenue extractions by local officials to place burdens on farmers range from the irritating to the ruinous.”²⁷³ More specifically, Bernstein notes,

When conflicts escalate, ensuing confrontations can take a variety of forms: Demonstrations; violent altercations between individual peasants and cadre; riots; wrecking of Party-government compounds; setting up of road blocks; sit-ins; holding officials captive; blocking of railroads; burning automobiles; and killing of cadre or police.²⁷⁴

In examining these incidents, Shambaugh summarizes Bernstein’s findings, stating “rural confrontations [tend] to be short-lived, local, and spontaneous, a problem that is briefly intense but not sustained.”²⁷⁵ Shambaugh notably adds,

Occasionally peasant unrest and violence does begin to exhibit a degree of organization and leadership, often supplied by local party cadre directed against their superiors. Sustained organizations that span more than a few townships in a county, however, are quite rare. Most of the actions are grievances, meant to force local officials to adhere to laws and regulations, and are not politically motivated. But in many cases, peasants currently have no clear and direct means to redress their grievances, and suffer grievously when local officials arrive with security forces to “shake down” a village....²⁷⁶

Hence, based upon Bernstein’s analysis, the actions of CCP officials are largely the cause of rural discontent, resulting in periodic spikes of intense violence, which are characterized as being disorganized, localized in scope, and short in duration; however, on occasion, local village protests gather additional momentum and organization, receiving outside support from nearby villages to forcefully challenge Party officials.

One noteworthy example is the December 2011 Wukan village uprising, located in the Guangdong Province, whereby an estimated 13,000 inhabitants revolted over the reported illegitimate leasing of village property since 1993.²⁷⁷ While details are murky, Wukan residents allege the village leadership—having received huge payments for decades without compensation for affected residents—recently attempted to sell the

remaining 80 percent of available farmland to real estate developers for luxury housing and a retail project.²⁷⁸ The potentially lucrative deal for village officials received approval of the next higher township (Donghai) and county seat (Lufeng), possibly implicating higher Party officials.²⁷⁹

After a senior protestor (who was trying to negotiate a peaceful settlement) mysteriously died while in police custody in early-December 2011, fed-up Wukan residents violently rebelled in a “first-of-its-kind” manner: chasing away the village’s longstanding Communist leaders (the majority having been in power since Deng Xiaoping); demanding a suspension of the farmland’s sale; conducting new, impromptu democratic elections; and requesting provincial Party leaders open an investigation into the corrupt practices of the former village leadership.²⁸⁰ Surrounded by thousands of riot-police, village protestors took desperate measures to defend the village, confronting and even repelling on several occasions, attempts by domestic security forces to re-seize the town.²⁸¹

The tense 10-day stand-off ended when senior provincial officials finally agreed to the Wukan residents’ demands. Commenting on the incident, Deputy Communist Party Secretary for Guangdong, Zhu Mingguo, blamed local Party officials for creating the mess, stating that “[i]n terms of society, the public’s awareness of democracy, equality and rights is constantly strengthening, and their corresponding demands are growing.... Like apples, the [former village leaders’] hearts were rotten even if their skins were red, and when the skins broke, there was a real mess.”²⁸²

At this point, the full-impact of the Wukan village uprising remains unclear. Due to the CCP’s strict information black-out, the Party may have successfully contained

sensational news of the village's revolt, preventing spread of similar unrest to other rural regions. Moreover, in future "Wukan-like" scenarios, the Party will likely respond quickly and overwhelmingly to squash local rebellion, as early as possible in the crisis, preventing rural protestors from gaining critical momentum and better organization.

Critical Vulnerability 3.4 (Ethnic Minority Unrest). CCP officials must also confront higher levels of ethnic minority unrest. As noted previously, protests and violence escalated significantly in 2008 and 2009 within Tibet and Xinjiang, respectively. During this period, the CCP deployed PAPF units to re-establish social order. Similarly, in 2011, additional acts of civil disobedience in Tibet have drawn the Party's renewed attention.

According to a November 2011 article in *The Economist*, the CCP has once again clamped down on Tibetan protestors in southwest China, following a wave of eleven self-immolation attempts by monks and nuns from local monasteries.²⁸³ In an area about the size of Great Britain, Sichuan's two "autonomous prefectures" (Aba and Ganzi) are home to a large Tibetan population who are protesting for greater religious freedom and return of the Dalai Lama. According to the article,

The anger and desperation that has prompted Tibetans to set fire to themselves is common across the plateau....Aba and Ganzi share an additional layer of resentment. Both prefectures saw the only well-documented cases of [Chinese] police firing on demonstrators in 2008 (20-30 people may have been shot dead in Aba town).²⁸⁴

According to Party officials, acts of self-immolation "are difficult for [the police] to prevent, and images of them can have a powerful psychological effect among sympathizers."²⁸⁵ Reinforcing their fears, CCP officials observed how a single case of self-immolation by a frustrated fruit-vendor in Tunisia helped sparked a massive wave of

internal protests, resulting in collapse of an authoritarian regime and, eventually, the 2011 Arab Spring.²⁸⁶

Historically, according to the University of Miami's Dr. June Teufel Dreyer, the CCP's strategy in handling ethnic minority unrest in Tibet and Xinjiang provinces has been two-fold: encourage economic development while suppressing any expressions of dissent.²⁸⁷ However, this approach has not been fully successful, as the CCP has encountered significant problems, in part because of sympathetic local Party cadre. Dreyer notes,

Officials in Muslim areas proved similarly recalcitrant. In mid-1996 the Xinjiang regional party committee called for "sternly dealing with party members and cadre, especially leading cadre, who continue to be devout religious believers despite repeated education; instill separatist ideas and religious doctrines into young people's minds; publish distorted history; [issue] books or magazines advocating separatism and illegal religious ideas; or make audio or video products propagating such ideas." These are startling statements, tantamount to admitting that the central government has lost a good deal of control over local levels in these areas.²⁸⁸

Dreyer advises it may be better for Party officials to allow minority regions to become more "truly" autonomous versus their current "repressive" approach.²⁸⁹ However, Dreyer also concludes ethnic minority groups lack their own individual strength to successfully challenge the Chinese government and, "in the absence of some synergism of instabilities generated by demands from Han workers, peasants, and intellectuals, it seems unlikely that they can win anything more than token concessions from the central government."²⁹⁰ In sum, CCP officials endeavor to resolve ethnic minority unrest, threatening a continuation of periodic violence.

Critical Vulnerability 3.5 (Availability of Mass Communications). Increased public access to the nation's expanding communications infrastructure complicates the CCP's

ability to maintain “control” of spreading discontent and protests. According to Bernstein, rural villagers possess “increased access to newspapers, to television, and to Central documents” provide greater situational awareness beyond information provided by local Party cadre, providing “new capacities locally to reproduce and disseminate material.”²⁹¹ Additionally, Bernstein states, “Access to means of [mass] communication contributes to the mobilization of villagers, enhancing their capacity to contact one another and coordinate activities.”²⁹² Consequently, Bernstein concludes, “As China modernizes, the country’s villages will be increasingly integrated into the national body politic, and this will clearly stimulate rural political activism, including, other things being equal, protest.”²⁹³

Underscoring the validity of Bernstein’s conclusion, Tunisian protestors toppled Ben Ali’s authoritarian government in less than four weeks in early 2010, leveraging similar tools of mass communication, which greatly alarmed Party officials.²⁹⁴ According to a study performed by the *Center for International Media Assistance* concerning social media and social unrest in the Arab World, cyber-based activists combined a mix of domestic and foreign social media services to inform and help mobilize protests.²⁹⁵ The *Center for International Media Assistance* described how this important “cyber-activist” function occurred in the case of Tunisia:

Tunisian blogger and Global Voices Advocacy Director, Sami Ben Gharbia, who operates the website Nawaat, an independent blog collective that gives voice to Tunisian dissent, said that much of the content from the revolution that appeared in traditional media originated on Facebook. He said that a team of cyber activists would collect information from Facebook for translation, putting it in context and reposting on Nawaat and Twitter for journalists and others. He said that if content remained strictly on Facebook, its audience would have been limited to those who are members of certain groups, and would not have likely been disseminated in ways that proved pivotal to the media

coverage. “That is what we were doing: Aggregating, putting the story into context, amplifying and then using Twitter as a main broadcaster, because Twitter is the platform where journalists are following the story, and then pointing them to the right place to find the video,” Ben Gharbia told an interviewer.

While *Twitter* (an American micro-blogging service) and *Facebook* (an American social networking service) are not website “favorites” in China, these types of innovative information technologies can effectively “bridge” various media forms to reach the right audience, at the right time, to generate mass protests.²⁹⁶

Hence, the CCP daily combats the potentially damaging use of social media services, by more vigorously imposing a web-filtering system known officially as the “Great Shield” (or unofficially as the “Great Firewall of China”). According to a *Time* magazine article on the topic,

For the tens of thousands of censors employed by the government, blocking access to restricted information both at home and abroad is an ongoing struggle. Their work is mirrored by employees of large Web portals who ensure content conforms with official directives. With what is called the “Great Firewall of China,” authorities block access to overseas Web pages deemed objectionable and shutter domestic sites that repeatedly stray into restricted territory. Search engines are prevented from linking to sensitive content. Mainland media, which face a host of regulations that limit how they can report the news, are often forced to take down controversial stories that have been posted online.²⁹⁷

As the Party’s “cyber-cadre” struggle to block “sensitive” content, Chinese web users are making “use of widely available proxies and virtual private networks to *fanqiang*, or ‘climb the wall,’ for access to everything from politics to porn.”²⁹⁸

Today, China has approximately 485 million web users (representing 36 percent internet penetration as compared to Tunisia’s 34 percent) who largely favor domestic-based internet services (social networks, news sources, and web sites) over their foreign counterparts.²⁹⁹ According to internet usage data compiled by Burson-Marsteller,

the Chinese public pointedly prefers (and, hence, arguably trusts) domestic-based web content over foreign-based web sites, assisting the Party (to some degree) in their attempts to shape and control domestic opinion. The following table highlights China’s “Top Five” preferences for each on-line media category:

Rank	Social Networks	On-line News	Websites
1	Qzone	Xinhuanet	Baidu
2	Pengyou	CNTV(CCTV)	QQ
3	Renren	Huanqiu	Taobao
4	Sina Weibo	China News	Sina
5	Kaixin	People	Youku

Table 5: Top Five Web Preferences in China³⁰⁰

Of note, the CCP could shutdown the entire internet or a specific social media service in a specific region, just as it did in Xinjiang during the 2009 ethnic unrest.³⁰¹ During this period, *Twitter* was one of the first websites to broadcast news of Beijing’s clampdown in Xinjiang, as the PAPF dealt with Uighur demonstrators. Shortly afterward, the CCP halted nationwide access to *Twitter*, while suspending total internet access in Xinjiang.³⁰² However, despite the Party’s best efforts, dissidents were still able to leak videos, pictures, and stories from the region on the internet. In sum, CCP officials are challenged to contain domestic crises, due to increased public access to mass communications and web-based services, which have potential to coalesce disaffected groups, generating greater momentum for further social, economic, and political reforms.

Summary of Critical Capability 3.0. The following table summarizes key attributes of this specific critical capability:

Critical Capability	Preservation of Domestic Stability
Critical Requirements	<p>CCP officials:</p> <ol style="list-style-type: none"> 1. avoid public leadership splits within the PBSC 2. employ various domestic capabilities to monitor, mitigate, and suppress domestic unrest, as well as apply strategies aimed at calming local tensions and co-opting potential opposition leaders 3. must keep the military loyal to the Party, but wishes to prevent and avoid any future domestic situation, which places the Chinese military in such a precarious position, like the 1989 Tiananmen crisis
Critical Vulnerabilities	<p>CCP officials:</p> <ol style="list-style-type: none"> 1. are unprepared for a future sudden, mass wave of unemployment and seek to develop provincial-level social safety-nets to catch the disaffected 2. suffer from episodic cases of independent journalism, in defiance of Central Propaganda Committee guidelines, which embarrassingly reveal significant Party and other national-level deficiencies 3. struggle to manage rural discontent resulting in recurrent spikes of violence, which on occasion gathers momentum and organization across multiple townships 4. endeavor to resolve ethnic minority unrest, threatening a continuation of periodic violence 5. are challenged to contain domestic crises, due to increased public access to modern communications and web-based services, which have potential to coalesce various disaffected groups to generate momentum for political and social reforms

Table 6: Center of Gravity Attributes for “Preservation of Domestic Stability”

Critical Capability 4.0 (Restoration of the Nation’s Prestige)

Since the 1989 Tiananmen Square crisis, a psychological low-point for the Party, massive CCP propaganda efforts were launched to re-unite the country and restore China to its prestigious position within the international system, producing an intense

sense of nationalism. According to Shirk, Party leaders have promoted “nationalist themes as a way to bolster the legitimacy of the Communist Party, now that almost no one believes in Communist ideology anymore.”³⁰³ In large part, the CCP’s propaganda efforts have been greatly helped by the nation’s improving economy and a more powerful military, with “nationalist emotions spontaneously bubbling up in the popular psyche.”³⁰⁴ The Party’s continued success in completing this vital task serves to further empower the CCP as a strategic center of gravity.

Critical Requirements 4.0. For this critical capability to be successful (and, thus, strengthen the CCP’s political resilience), the following critical requirements (conditions, resources, and means) are necessary: (1) a reconstructed national identity under a new hybrid ideology consisting of socialism, sinocentrism, and anti-Westernism; and (2) exploitation of the new national identity to stoke fervent nationalism within the public. Each will be briefly examined.

Critical Requirement 4.1 (Reconstruct the National Identity). As a result of the communist ideology’s failure and the 1989 Tiananmen Square crisis, CCP officials earnestly reconstructed China’s national identity to promote their own unique path to modernity, seeking to transcend the United States as a world leader. According to Dr. Gilbert Rozman, Professor of Sociology at Princeton University, the Party’s propaganda experts blended three narratives to reconstruct a new national identity, following the 1989 Tiananmen Square crisis:

First, as party confidence in socialism strengthened, the official verdict on the lessons to be drawn from its failure in 1989-91 grew clearer. China’s rise was now more openly attributed to this ideological doctrine. Second, a sharp reversal occurred in assessments of imperial history; Confucianism emerged as the centerpiece in an ideologically tinged narrative about what has made China superior to other civilizations over thousands of years

and will enable it to prevail in the future. Finally, in contrast to the admiring tone of many writings on the West in the 1980s, the perennial theme of anti-imperialism and anti-hegemonism gained force with more intense attacks on Western civilization. To the extent that the new amalgam became unassailable, repeated in ever more declarative forms and not openly contradicted, an ideology, although not proclaimed as such, was reinstated.³⁰⁵

According to Rozman, “[t]he amalgam of socialism, sinocentrism, and anti-Westernism lacks a single, overarching treatise, but serves as an ideological foundation for the reconstructed national identity at a time of growing frankness.”³⁰⁶

Shortly after developing this new “hybrid” ideology, the 2008 financial meltdown in the United States proved to be a perfect opportunity for the Party to publicly attack the ability of the United States to effectively manage its own economy, and to propose an alternate path to modernity. This message was intended not only for domestic Chinese consumption but the world at large. With the West “mired in financial crisis,” Rozman contends CCP officials broadcasted “an image” that “what had occurred was a crisis in international capitalism, casting doubt on the capacity of countries such as the United States to manage their economy....”³⁰⁷ Moreover, Rozman asserts that Party propagandists turned China’s economic “optimism into [outright] arrogance” by pumping-up the new national identity with “the adrenaline of a high-growth economy” that could only be achieved through “wise state policies and a superior society” (due to the CCP’s prudent leadership) meriting China’s coming arrival at the top of the world.³⁰⁸

Toward this aim, China’s new national identity clearly recognizes the United States as attempting to undermine and block China’s rightful rise to superpower status. Rozman writes,

In place of previous deferential statements about how China accepted [the Association of Southeast Asian Nations] in the leadership role whereas the United States and even Japan insisted on asserting leadership,

however unwanted, recent US efforts to tighten ties in Southeast Asia are condemned as brazen intervention in China's rise to leadership in the region. As a permanent member of the United Nations Security Council, China has assumed a certain political entitlement, yet recent signs indicate that this extends not only to sharing international leadership with today's superpower, the United States, but also replacing it.³⁰⁹

Hence, Rozman identifies the Party's desire to displace the United States, as a key tenet of China's new political identity and final culmination of its struggle with Western civilization. To aid their cause, CCP propagandists "have simplified history into a struggle between a virtuous Chinese nation under all forms of rule and predatory Western and Japanese intrusions that humiliated and victimized the Chinese."³¹⁰ Moreover, "[d]elegitimizing the [United States] role undermines the international system and creates a vacuum for China to fill, as sources argue that the United States not only is not essential for security, it is now a source of instability."³¹¹

Finally, China's reconstructed national identity also serves to reinforce the CCP's "top-down system" of governance over the Chinese public. Rozman reveals that "Chinese [leaders] equated the top-down system under the Communist Party control with unity, which in turn is the litmus test of national identity.... the [CCP] leadership puts state domination at the core."³¹² Rozman concludes that "China's entire history is now viewed through the prism of the more autocratic the rule (with intolerance for dissent), the more positive for China's unity."³¹³ In sum, following a psychological low-point of the Party in the 1980s, CCP officials earnestly reconstructed China's national identity, which is now rooted in an hybrid ideology (based upon socialism, sinocentrism, and anti-Westernism), promoting their own unique path to modernity and seeking to transcend the United States as a world leader.

Critical Requirement 4.2 (Stoking Nationalism). As propagandists reconstructed the national identity, CCP leaders embarked on a “nationwide ‘patriotic education campaign’ in schools and media” to stoke public nationalism and bolster the Party’s credentials for continued leadership.³¹⁴ In the process, CCP officials proclaimed their devout patriotism, with CCP General Secretary Jiang Zemin declaring to the CCP Central Committee, “The Chinese Communists are the staunchest and most thorough patriots. The patriotism of the CCP is the supreme example of the patriotism of the Chinese nation and the Chinese people.”³¹⁵

Over the next two decades, the CCP provided a steady diet of “patriotism” to the nation’s youngest generation.³¹⁶ The Central Propaganda Department revamped school curriculums to include “new courses to stimulate patriotic loyalty” with awards presented to students for “reading the one hundred patriotic books and seeing the one hundred patriotic movies chosen by the Party.”³¹⁷ By 2007, according to Rozman, the Central Propaganda Department’s “[p]olitical education was reinvigorated as elements of the new ideological synthesis [combining socialism, sinocentrism, and anti-Westernism]” were “imposed on the media and academia.”³¹⁸ Thus, by 2010, Rozman concludes CCP propagandists achieved high-levels of nationalist sentiment, as the “hybrid ideology aroused fervent support,” leveraging China’s new national identity.³¹⁹ Rozman notes,

The various dimensions [of China’s new national identity] are more tightly connected than many other national identities, and the sustained orchestration of an elaborately constructed narrative through highly organized party apparatus has no parallel in the proliferation of arguments even in the communist bloc. In place of the old communist ideology, discredited as a failure in China by the 1980s and elsewhere by the 1990s, the newly constructed national identity has proven useful in rallying public opinion and stabilizing control.³²⁰

In sum, the Party's enduring effort to stoke fervent nationalism has achieved success, bolstering public opinion and stabilizing control over the public.

Critical Vulnerabilities 4.0. However, despite these formidable efforts, the CCP's resolution to restore the nation's prestige faces critical vulnerabilities or "fundamental flaws" that could undermine the CCP's political resilience. These include: (1) the potential for increased politicization of the national identity, which could lead to greater friction among factions; (2) a lack of "soft power" appeal, which has been accompanied with a growing internal debate on the moral costs of China's rapid economic progress; and (3) potential constraints on the development of pragmatic policies regarding Japan and the West. Each will be briefly examined.

Critical Vulnerability 4.1 (Potential Politicization of Nationalism). If not carefully managed, the current high-levels of nationalism could precipitate a future domestic crisis. The former Soviet Union offers an historical case study of how heightened nationalism can ultimately hinder effective governance, by politicizing the nationalist sentiment and paralyzing institutions. Dr. Mark Beissinger, Professor of Politics at Princeton University, identifies the Soviet's mobilization of nationalism, during the late 1980s, as undermining the Soviet Communist Party's ability to resolve domestic policy differences.³²¹ Beissinger notes,

Within the Soviet Union enormous mobilizations involving millions of people occurred during [the late 1980s], with nationalist demands being the most prominent among the banners under which people mobilized. Indeed, in the Soviet case regime change and the break-up of the Soviet state were not entirely separable phases in the unfolding events that brought about the end of communism, but were rather more overlapping and interrelated than many analyses portray them to be. In 1988 and 1989 institutional opening politicized nationalism across multiple contexts in the Soviet Union. These conflicts in turn magnified divisions within the Communist Party over how to deal with them, encouraged the spread of

contention to other groups, created enormous disorder within institutions and eventually led to the splintering of the Soviet state into national pieces.³²²

Hence, under the new policy of *Glasnost*, the Soviet Union's mobilization of nationalism became severely politicized among various factions, which ultimately "magnified internal divisions within the Communist Party over how to deal with them," creating instability and "eventually led to the splintering of the Soviet state into national pieces."³²³ In sum, the CCP's own mobilization and sustainment of high-levels of nationalism could also trigger similar problems among factions within the Party, creating an internal crisis over how best to proceed.

Critical Vulnerability 4.2 (Deficiency of "Soft-Power"). China lacks the magnetic draw like the United States to "bend others to its will without resorting to force or payment," also known as "soft power."³²⁴ This is due primarily to the Party's strategic decision to delay additional social and political reforms involving human rights and democracy, for the sake of depicting an already "harmonious" society, possessing superior Confucian values over Western-imposed "imperialist" values. According to Rozman, this "illusion of harmony" in China is primarily maintained through the CCP's repression, which is acceptable to the general Chinese public "as long as rapid economic growth persists."³²⁵ As a result, China's image abroad suffers from moral deficiencies, "despite elaborate historical [Party] arguments for how Han Chinese successfully fused other cultures."³²⁶

Understanding China's lack of "soft power" appeal, the CCP Central Committee specifically addressed this issue in mid-October 2011. During the annual meeting, *The Economist* says, "More than 300 of the Communist Party's most powerful leaders met in Beijing and discussed ways of boosting the nation's 'cultural soft power'."³²⁷ The Party's

unprecedented admission focused additional attention on how to raise “the ideological and moral qualities as well as scientific and cultural qualities of the entire nation.”³²⁸

Thousands of Chinese bloggers apparently agree, as the nation has collectively undergone an on-line moral self-examination following the October 2011 hit-and-run accident, which killed a 2-year old girl. According to an account in *The Economist*,

The story of Little Yue Yue, as the Chinese media have nicknamed Wang Yue, who died on October 21st as a result of the accident eight days earlier in the southern city of Foshan, has been anything but a winning one. To many Chinese commentators, it has revealed a widespread callousness fostered by an amoral pursuit of wealth. Footage of the accident caught by a surveillance camera (be warned it is harrowing) showed Little Yue Yue being hit by a van, which stops and pauses, only to run over her again with a rear wheel, as its driver decides to proceed without checking what has happened. A little later a lorry rolls over her injured body. In the space of seven minutes, no fewer than 18 people walk by the bloody but still living girl before a rubbish-cleaner finally tends to her and summons Wang Yue’s mother.

The incident has triggered widespread soul-searching, with even the state-run media wringing their hands over the state of Chinese society. “These last few days the whole of China has been asking itself: is this just the way people are by nature? or have they only fallen to this state as a result of prolonged damage to their public morals?” asked one commentary in *Southern Weekend*, a newspaper. The answer, most analysis has concluded, is the latter. *Caixin*, a magazine, published an article on its website suggesting that China’s political culture might even be to blame. “At the same time as people’s rights have been suppressed, people’s sense of righteousness and justice has been restrained too,” it said.³²⁹

Hence, the tragic death of the little girl, whereby “no fewer than 18 people walked by the bloody” body,³³⁰ has triggered widespread public debate on the state of China’s moral values. In sum, CCP officials struggle to contend with China’s lack of “soft power” appeal and internally debate the moral costs of China’s rapid economic rise, which may have resulted in prolonged damage to the nation’s collective moral values.

Critical Vulnerability 4.3 (Constraining Pragmatism). China’s hyper-nationalism potentially constrains future pragmatic strategic-level decision-making within the Party,

especially following an unforeseen, major international event involving one of the currently “demonized” countries, like the United States or Japan. According to Rozman, China’s national identity thrust has been to “widen the gap between two irreconcilable forces [China and the United States], not to find common ground.”³³¹ Supporting this assertion, Shirk says she has personally “felt the chill of genuine nationalist resentment of America in spontaneous interactions with Chinese friends.” Shirk conveys the following anecdote:

I found myself dining with a dozen university faculty in Shanghai immediately following the collision of the Chinese fighter jet and the United States EP-3 spy plane. One professor, a longtime friend who has visited me in my California home, couldn’t bring himself to utter a word to me, so full of anger at America was he. The students I talk with express their hatred of Japan, their readiness to shed blood to keep Taiwan, and their gripes against America with proud heads held high.³³²

Shirk concludes the “nationalist mobilization of the 1990s has boxed the CCP and its leaders into a corner.”³³³ If a crisis develops and “authorities allow students to demonstrate outside the Japanese and American embassies, it is a struggle to restore order without the students turning on them.”³³⁴ Thus, in such an emotionally-charged environment (constantly over-stimulated by CCP propagandists), future policymaking constraints could be placed on senior CCP officials to abandon elements of pragmatism and pursue a more “hard-line” approach, especially against Japan and the West.

Summary of Critical Capability 4.0. The following table summarizes key attributes of this specific critical capability:

Critical Capability	Restoration of the Nation's Prestige
Critical Requirements	<p>CCP officials:</p> <ol style="list-style-type: none"> 1. rely on the reconstructed Chinese national identity, which is now rooted in an effective hybrid ideology (based upon socialism, sinocentrism, and anti-Westernism), promoting China's unique path to modernity while seeking to transcend the United States, as a world leader 2. stoke intense domestic nationalism to achieve high-levels of domestic approval and stabilize the Party's control over society
Critical Vulnerabilities	<p>CCP officials:</p> <ol style="list-style-type: none"> 1. could confront similar problems experienced by the former Soviet Union, whereby nationalism became highly politicized among various factions, creating an internal crisis within government over how best to proceed 2. contend with China's lack of "soft power" appeal and the recently sparked internal debate about the moral costs of China's rapid economic progress 3. may abandon elements of pragmatism, due to extremely high-levels of public nationalism, pursuing a more hard-line approach

Table 7: Center of Gravity Attributes for "Restoration of the Nation's Prestige"

Summary of Major Findings

Overview. The CCP's accomplishment of each critical capability provides strength to the Party as a strategic center of gravity. Moreover, there exists some level of interdependence between critical capabilities, which act to reinforce each other, whereby a problem in one "line of effort" may be mitigated, to a point, by another critical capability. For example, based upon the evidence presented, the "cultivation of adaptive governance" supports the Party's "generation of economic prosperity," enhancing Party efforts to "preserve domestic stability" and "restore the nation's prestige."

However, much like other socio-ecological systems, a deficiency assumed by one component (or critical capability) is a deficiency assumed by the entire system. For example, as observed earlier in the paper, a lack of local political accountability, due to insufficient senior Party oversight, may result in corrupt activities within a particular township. A village Chief and Party Secretary could effectively engage in illicit financial activities without the knowledge of higher officials, exacerbating the village's debt and budget deficit. Consequently, the village's revenue stream to the central government could suffer, as well as loan repayments to state-controlled banks. Cumulatively, if this corrupt practice was widespread within a specific province, the impact of these revenue "inefficiencies" could cause the regional economy to sputter. At some point, upon discovery, angry villagers could revolt, like the Wukan village residents in December 2011, creating domestic turmoil and political instability. Likewise, if this same situation were replicated at a much higher-level in government, such as a major manufacturing province, financial disruptions could create a cascade effect throughout the entire system to include greater social, economic, and political instabilities. Consequently, a crisis in one industrial province could potentially trigger instabilities in other provinces, resulting in a snowball effect that could generate mass discontent in various population segments.

The following five major findings will be explored in greater detail: a mutual buttressing-effect among critical capabilities; a concerted focus on binding the nation to the Party; a lack of synergism between sources of instability; the mixed-impact of China's looming demographic problem; and, finally, the negative impacts on future pragmatic strategic decision-making.

Major Finding 1.0: There exists a mutual buttressing-effect among the Party's critical capabilities. To mitigate stress on the system, the CCP buttresses each critical capability with the other critical capabilities. Per Figure 2, each pillar (representing a critical capability) is directly connected to the other pillars (critical capabilities) via critical requirements (CR) which promote system stability.

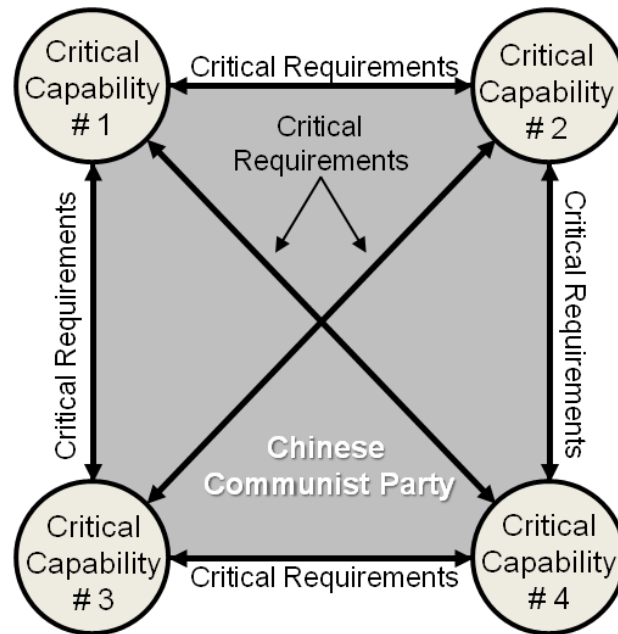


Figure 2: Critical Requirements Buttress other Critical Capabilities

Regarding the first critical capability (or pillar), the Party's "cultivation of adaptive governance" promotes the "generation of economic prosperity" via (CR 1.1) "local policymaking through experimentation," while also "preserving domestic stability" through (CR 1.2) "greater control of the voluntary sector" and (CR 1.4) "reform of the legal system." The "cultivation of adaptive governance" also specifically supports the "restoration of the nation's prestige" through (CR 1.5) "the use of managed campaigns" to build unified support for new CCP initiatives. With respect to the second critical capability, the Party's "generation of economic prosperity" has a symbiotic relationship

with the “cultivation of adaptive governance,” providing a critical feedback loop to (CR 1.1) “local policymaking through experimentation,” guiding the Party’s follow-on actions, as well as development of future policy initiatives. Additionally, the “generation of economic prosperity” contributes to the “restoration of the nation’s prestige,” by achieving greater global economic power (and eventually international recognition as the world’s top economy), while bolstering the Party’s ability to “preserve domestic stability.” Likewise, critical requirements associated with the Party’s “preservation of domestic stability” are fundamentally essential in providing a secure environment for the other three critical capabilities to flourish. And finally, the Party’s efforts to “restore the nation’s prestige” markedly enhances the efforts of the other critical capabilities by achieving greater domestic unity and rallying approval for CCP political, economic, and social policies.

Major Finding 2.0: The CCP deliberately employs a mix of social, economic, and political mechanisms to bind the nation to the Party. Additionally, the CCP utilizes several critical requirements to “bind the nation to the Party.” Under the “cultivation of adaptive governance,” the CCP’s “control of the voluntary sector” forces candidate organizations to first seek Party sponsorship, in order to submit an application to the government for approval. Under the “generation of economic prosperity,” the CCP’s “exploitation of state-owned enterprises” forces employees (who wish to be promoted and obtain desired benefits) to constantly seek favor from Party officials by “giving them gifts.”³³⁵ Additionally, private-entrepreneurs are forced to build and maintain close-ties to local Party cadre to effectively navigate the cumbersome bureaucracy to launch a profitable private business. And finally, under “the restoration of the nation’s prestige,”

the Central Propaganda Department leverages the full spectrum of the nation's "instruments of influence" to reinforce the General Secretary's proclamation that "Success in China hinges on the Party."³³⁶ In short, the Party uses many ways and means to convince citizens that success in life, ultimately, depends on their fervent support for the Party.

Major Finding 3.0: There currently exists a lack of synergy among the various sources of instability within China. There is evidence to suggest that rural communities and ethnic minorities do not receive external support from other dissatisfied segments of Chinese society, such as from students, intellectuals, industry workers, and other ethnic groups. According to Bernstein, there exists a notable "absence of appropriate linkages between urban and rural protests."³³⁷ Bernstein provides the following critical observations:

Those in the urban sector, students and intellectuals, who are the natural leaders of movements aiming at political change, have not demonstrated serious intent in rural grievances or in making contact with rural people. The classic illustration is the Tiananmen movement in 1989, when, as Elizabeth Perry observes, urban protestors failed to take advantage of peasant capacities for collective action. Intellectuals have strongly elitist attitudes. They disdain peasants.³³⁸

Hence, despite access to mass communications and web-based services, a natural stigma still exists between rural and urban demonstrators, hampering a rural or minority protestor's ability to gain greater socio-political momentum. This significant barrier contributes to the CCP's active efforts to monitor, mitigate, and suppress local dissent.

Major Finding 4.0: Beijing's demographic challenges will have a mixed-impact on Chinese society particularly after 2015. The CCP's delivery of economic prosperity to the general public has been the healing "salve" to calm and sooth a citizen's daily frustrations with the Party's corruption, repression, and damage to the surrounding

environment. Understanding this truism, CCP officials are obsessed with keeping the economy churning at a specific GDP rate, while earnestly developing new social safety-nets to catch the disaffected. However, while the Party's obsession is warranted for the near term, China's long-term labor shortage, beginning in 2015, will absorb most unemployed workers. For this reason alone, CCP General Secretary may be willing to allow the economy to slow—below Party goals—in the coming months, redistributing central government resources to cushion local government social challenges, while knowing the Chinese “demographic problem” will ultimately provide numerous employment opportunities for the temporarily unemployed. Nonetheless, as China's workforce shrinks and begins to suffer from a lack of cheap, skilled, and innovative labor, the country's current competitive advantage in global markets could wane, as workers gain additional rights, benefits, and increased wages. In turn, China would become a less attractive option for foreign and domestic companies, seeking sources of cheap labor. Consequently, the CCP's growing global economic power and influence could diminish in the coming years and decades, if free market forces are allowed to prevail.

Major Finding 5.0: A volatile mixture of several critical vulnerabilities could dangerously combine to constrain the Party's ability to pursue pragmatic policies. The Party's intense propaganda efforts which stoke ever higher levels of nationalism could constrain CCP development of more moderate diplomatic responses to a budding crisis. In such a situation, fervent nationalists (students, intellectuals, and security forces) could unilaterally act to conduct spontaneous protests and violent attacks on foreign individuals or embassy compounds. Hence, such a strong public reaction at the onset of

a crisis—fueled by ultra-nationalism—could pressure the CCP leadership to pursue a more aggressive strategy.

Compounding this problem is the CCP's inability to rapidly respond in a unified manner, especially during an "unanticipated" crisis. Given the CCP's (CV 2.2) "inadequate crisis management capabilities," the PBSC emphasizes a consensus-building, cross-cutting approach to strategic decision-making by conducting "considerable research and analysis...to create a strategy or game plan to determine how best to meet the goals [of (1) survival of the party, (2) enforce party unity, and (3) protect China's international credibility] through the management of the crisis."³³⁹ An aggressive national element (like the PLA), with a separate agenda from the PBSC, risks getting ahead of a unified CCP response, which "bodes negatively"³⁴⁰ and "could equate to military action in extremis of a policy decision, placing everyone in a crisis mode."³⁴¹ Moreover, with a member of the elitist faction soon to acquire the powers of Supreme Leader, Xi Jinping could favor more aggressive PLA courses of action (since the military generally leans toward the elitist camp), potentially raising the specter of armed confrontation in the Western Pacific.

Conclusion

The Party's Ultimate Future. Finally, while the Party has done much to bolster the "Will_{CCP}" and strengthen the "Means_{Instruments of National Power}", several points of culminating stress on the CCP has forced Party officials to accept a modicum of change to China's social, economic, and political order, to include: (1) a reversal by the Party to allow and even promote Confucian values; (2) a transformation of Mao's failed economic model to the current prosperous state-led capitalism model; (3) an emphasis on maintaining a

solid balance of power between internal factions in all aspects of the Party and central government; and, lastly, (4) legal changes to the constitution, underpinning the CCP's supremacy in governing the nation. Each of these structural, process, and policy modifications serve to provide the ruling regime with increased political resilience, resulting in greater adaptive capacity to mitigate building stress and prevent permanent internal fissures and, possibly, a debilitating fracture.

However, the ultimate willingness of senior Party officials to adapt in the face of rising calls for political reform remains a significant question. On this final note, United States Secretary of State Hillary Clinton believes the CCP's top leadership will find this challenge to be insurmountable, bluntly stating, "They're worried, and they are trying to stop history, which is a fool's errand. They cannot do it. But they're going to hold it off as long as possible."³⁴² Nonetheless, the current Supreme Leader continues to savor his Party's remarkable achievements at the 90th anniversary benchmark, desiring nothing less than global greatness by 2021—the Party's 100th anniversary.

Endnotes

¹ Statement by Mao Tse-tung, the Chairman of the Chinese Communist Party, during a reception for delegates to the Third National Congress of the New Democratic Youth League of China on May 25, 1957. Quoted in *Terebess Asia Online*, <http://www.terebess.hu/english/maotse1.html#1> (accessed December 18, 2011).

² "Hu Jintao, Speech at Chinese Communist Party 90th Anniversary Gathering, July 1, 2011," *University of Southern California's United States-China Institute Online*, <http://china.usc.edu/ShowArticle.aspx?articleID=2469> (accessed December 18, 2011).

³ For readability purposes, the author wishes to simplify the "People's Republic of China" to just "China" and acknowledges the "Republic of China" as simply Taiwan.

⁴ "Hu Jintao, Speech at Chinese Communist Party 90th Anniversary Gathering, July 1, 2011," *University of Southern California's United States-China Institute Online*.

⁵ Forbes magazine touted Chinese President Hu as the “World’s Most Powerful Person” in 2010, ahead of United States President Barack Obama; however, in the 2011 edition, *Forbes* dropped Hu Jintao to the number three spot, due to negative impact of the Chinese media revelation of a high-level “cover-up of a deadly bullet train crash in July.” For the 2011 list, “The World’s Most Powerful People,” *Forbes Online*, <http://www.forbes.com/wealth/powerful-people/list> (accessed December 18, 2011). For information on the 2010 list, “Hu Jintao's Topping of Forbes Most Powerful People List Shows Power Shifts East,” quoted in *Huliq Online*, <http://www.huliq.com/3257/hu-jintao-forbes-most-powerful-people-list-power-shifts-east> (accessed December 18, 2011).

⁶ “Hu Jintao, Speech at Chinese Communist Party 90th Anniversary Gathering, July 1, 2011,” *University of Southern California’s United States-China Institute Online*.

⁷ Forced to launch critical market reforms in December 1978 (known as “Socialism with Chinese Characteristics”), the CCP’s successful experiment with state-controlled capitalism has produced the second largest economy in the world and is expected to surpass the United States between 2020 and 2030. (Jacques Martin, “When China Rules the World,” taped public lecture at the National University of Singapore’s School of Public Policy (Singapore: September 18, 2009), recorded on *Youtube*, http://www.youtube.com/watch?v=7_nH_PYU7rk&feature=player_detailpage (accessed on 28 September 2011))

⁸ Leveraging China’s growing economic wealth, the Party accelerated military modernization investments over the past decade in an effort to enhance and expand regional military capabilities and, specifically, to curtail the United States’s ability to project and employ military power in the Western Pacific. (Andrew S. Erickson, “China SignPost™ (洞察中国) #14—China Deploys World’s First Long-Range, Land-Based ‘Carrier Killer’: DF-21D Anti-Ship Ballistic Missile (ASBM) Reaches ‘Initial Operational Capability’ (IOC)”, *China Analysis from Original Sources*, December 26, 2010, http://www.andrewerickson.com/2010/12/china-deploys-world%E2%80%99s-first-long-range-land-based-%E2%80%98carrier-killer%E2%80%99-df-21d-anti-ship-ballistic-missile-asbm-reaches-%E2%80%9Cinitial-operational-capability%E2%80%9D-ioc/#_edn3 (accessed December 18, 2011).)

⁹ The list of hazards to the ruling regime include: inner-party and government corruption, insufficient gross domestic product (GDP) growth, rising inflation and near-term unemployment, higher labor costs, increased demands for additional workers’ rights and benefits, widening economic inequality, calls for greater political liberalization, rising domestic instability and violence, greater assertiveness by the military, severe environmental degradation, high-profile accidents, pandemics, and natural disasters, territory and border disputes, detrimental effects from the global economic downturn, potential anti-China tariffs and trade wars, increased foreign competition for energy and other global resources.

¹⁰ Frank Miller and Andrew Scobell, “Chapter 8, ‘Decision-making Under Stress’ or ‘Crisis Management’?: In Lieu of a Conclusion,” in *Chinese National Security Decision-making under Stress*, *Strategic Studies Institute Online* (September 2005), 244, <http://www.strategicstudiesinstitute.army.mil/pdf/files/pub623.pdf> (accessed December 18, 2011.)

¹¹ The author will define and explore in greater detail the term “political” resilience in the section entitled “Key Definitions, a Proposed Formula, and an Analytic Framework”.

¹² Carl von Clausewitz, *On War*, trans. by Michael Howard and Peter Paret, 595-596.

¹³ Joe Strange and Richard Iron, "Understanding Centers of Gravity and Critical Vulnerabilities: Part 2", *Air University* (2004), 1, <http://www.au.af.mil/au/awc/awcgate/usmc/cog2.pdf> (accessed December 18, 2011).

¹⁴ *Ibid.*, 7.

¹⁵ Joe Strange and Richard Iron, "Understanding Centers of Gravity and Critical Vulnerabilities: Part 1", *Air University* (2004), 12, <http://www.au.af.mil/au/awc/awcgate/usmc/cog1.pdf> (accessed December 18, 2011).

¹⁶ *Ibid.*, 12.

¹⁷ "Stress-Strain Diagram," *MATHalino.com: Reviewer of Engineering Mathematics Online*, <http://www.mathalino.com/reviewer/mechanics-and-strength-of-materials/stress-strain-diagram> (accessed December 18, 2011).

¹⁸ "Stress-Strain Curve for Ductile Material," *Arizona State University Online*, <http://invsee.asu.edu/srinivas/stress-strain/phase.html?x=173&y=16#> (accessed December 18, 2011).

¹⁹ "Resilience," *Key to Metals: The World's Most Comprehensive Database Online*, <http://www.keytometals.com/page.aspx?ID=CheckArticle&site=kts&LN=EN&NM=41> (accessed December 18, 2011).

²⁰ Strange, "Understanding Centers of Gravity and Critical Vulnerabilities: Part 2", 7.

²¹ "Stress-Strain Curve for Ductile Material," *Arizona State University Online*.

²² Strange, "Understanding Centers of Gravity and Critical Vulnerabilities: Part 2", 7.

²³ *Ibid.*, 8.

²⁴ The author's definition of "political" resilience adopts Dr. Brian Walker's (Research Fellow with CSIRO Sustainable Ecosystems) definition of "resilience" in socio-ecological systems, which states, "Resilience is the capacity of a system to absorb disturbance and reorganize while undergoing change so as to still retain essentially the same function, structure, identity, and feedbacks." (Brian Walker and others, "Resilience, adaptability and transformability in social-ecological systems," *Ecology and Society* vol. 9, iss. 2, art. 5, [on-line], <http://www.ecologyandsociety.org/vol9/iss2/art5/> (accessed December 18, 2011).)

²⁵ This is a collective reference to dozens of ancient classical texts, which guided traditional Chinese thought for thousands of years. For additional information on this topic, the author recommends Elizabeth J. Perry, *Challenging the Mandate of Heaven: Social Protest and State Power in China* (New York: M.E. Sharp Inc., 2002).

²⁶ Charles A Moore and John C. H. Wu, "Chinese Legal and Political Philosophy," *The Chinese Mind: Essentials of Chinese Philosophy and Culture* (Honolulu: University of Hawaii Press, 1967), 213.

²⁷ Ibid.

²⁸ Ibid., 214.

²⁹ Ibid., 215.

³⁰ Ibid., 214.

³¹ Henry Kissinger, *On China* (New York: Penguin Press, 2011), 93.

³² Ibid., 94.

³³ Ibid., 94.

³⁴ "Nine Commentaries on the Communist Party, Commentary Six: On How the Chinese Communist Party Destroyed Traditional Culture," *The Epoch Times Online*, April 6, 2011, A6, <http://epoch-archive.com/a1/en/hk/nnn/2011/03-March/31/A6.pdf> (accessed October 24, 2011).

³⁵ Joy Lam explores political and cultural reasons why the CCP has begun to promote Confucianism in the contemporary era, identifying important social implications in a post-reform China. Joy Lam, "China's Revival of Confucianism," *University of Southern California US-China Institute Online*, <http://china.usc.edu/ShowArticle.aspx?articleID=1179&AspxAutoDetectCookieSupport=1> (accessed October 24, 2011).

³⁶ Daniel A. Bell, "China's leaders rediscover Confucianism, Editorials & Commentary, International Herald Tribune," *New York Times Online*, <http://www.nytimes.com/2006/09/14/opinion/14iht-edbell.2807200.html> (accessed October 24, 2011).

³⁷ The following eight other political parties in China, aside from the CCP, are currently approved: Revolutionary Committee of the Chinese Kuomintang, China Democratic League, China National Democratic Construction Association, China Association for Promoting Democracy, Chinese Peasants and Workers Democratic Party, China Zhi Gong Dang, Jiu San Society and Taiwan Democratic Self-Government League. ("White Paper on China's Political System," *The State Council Information Office Online*, <http://www.china.org.cn/english/news/231852.htm> (accessed December 18, 2011).)

³⁸ "Constitution of the People's Republic of China," *USConstitution.net Online*, <http://www.usconstitution.net/china.html#Article3> (accessed October 24, 2011).

³⁹ Xin Ren, *Tradition of the Law and Law of the Tradition: Law, State and Social Control in China* (Philadelphia: University of Pennsylvania, January 1, 1992), 56, Google e-book.

⁴⁰ Ibid.

⁴¹ Michael F. Martin, "Understanding China's Political System," *Congressional Research Service Online* (Washington, DC: Congressional Research Service, April 14, 2010), 2, http://assets.opencrs.com/rpts/R41007_20100414.pdf (accessed December 18, 2011).

⁴² Ibid., 3-9.

⁴³ The term “elite-circulation” or “circulation of elites” was originally coined by Italian sociologist Vilfredo Pareto and is used here to connote the overall process of political elites who enter and exit the Chinese political system. Additional information on this term can be found at the following website: “Sociologist on Government: Pareto and Mosca,” *ThinkQuest* [on-line], http://library.thinkquest.org/26466/sog_pareto-mosca.html (accessed March 2, 2012).

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¹¹⁴ Ibid. Also, the author wishes to note that while the central government has promulgated policy experimentation at the local-level (Critical Requirement 1.1) yielding greater adaptive governance (Critical Capability #1), the lack of adequate political accountability by higher-level Party officials (Critical Vulnerability 1.1) has led to increased opportunities for local officials to exploit the oversight "vacuum" and engage in corrupt activities. Hence, CCP officials struggle to find a delicate balance between the enormously positives aspects of local-level policy experimentation and the growing negative aspects of insufficient political accountability. As a result of this paradox, the Party is seeking to mitigate local-level corruption by strengthening internal oversight measures in an effort to root-out cases of rampant corruption. As evidence, during the CCP's 90th anniversary celebration last summer, President Hu pointedly emphasized this strategic-level vulnerability in his keynote speech stating, "If not effectively curbed, corruption

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¹³⁵ As will be observed later in the paper, Chinese foreign-sector and private-sector entrepreneurs have learned two important lessons in establishing profitable businesses; the necessity to: (1) remain apolitical and non-activist with respect to actively pursuing additional economic or political reforms, and (2) build rapport and close ties with local Party cadre to facilitate navigation through the cumbersome government bureaucracy in launching a new commercial enterprise. Further detailed information can be found in Margaret M. Pearson, *China's New Business Elites* (Berkeley: University of California Press, 1997), 110-115.

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¹³⁷ Leaders of three Chinese mega-state (party-controlled) financial and investment institutions made *Forbes* magazine's "World's Most Powerful List" in 2011 and 2010. At number 15, Changchun Li leads the People's Bank of China; for additional information see <http://www.forbes.com/profile/xiaochuan-zhou/> (accessed on 18 December 2011). At number 33, Jiwei Lou leads China's Investment Corporation; for additional information see <http://www.forbes.com/profile/jiwei-lou/> (accessed on 18 December 2011). In 2010, at number 62, Yong Wang leads the State-owned Assets Supervision and Administration Commission of the State Council; for additional information see <http://www.forbes.com/profile/yong-wang-4/> (accessed on 18 December 2011).

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